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AT DEADLINE

PBGC deficit increases 80%

The Pension Benefit Guaranty Corp.'s deficit soared 80% to $1.8 billion during the year ended Sept. 30.

The change reflects both investment losses and liabilities incurred from the termination of underfunded pension plans.

Just a year ago, the agency reported its 1989 deficit had shrunk by one-third, to $1 billion from $1.5 billion a year earlier.

Massachusetts post filled

Steven J. Kaseta has replaced Richard Kelly as deputy treasurer of Massachusetts.

As part of his responsibilities, Mr. Kaseta will be in charge of the Massachusetts Employees' & Teachers' Retirement System.

Mr. Kaseta formerly was a bond trader with UBS Securities. Mr. Kelly has taken another position in the treasurer's office.

Funds announce shifts

The $425 million Jacksonville (Fla.) General Employees' Pension Fund hired First Union National Bank, Charlotte, N.C., as custodian. The previous custodian was Florida National Bank, Jacksonville, which was acquired by First Union.

The Metropolitan Museum of Art, New York, has hired The Vanguard Group of Investment Cos. to manage its $5 million defined contribution plan for non-union employees, replacing Aetna Life and Casualty.

SEC ruling due

The Securities and Exchange Commission will take up Wunsch Auction System Inc.'s application to operate an electronic single-price auction market at its Feb. 20 meeting. Five U.S. stock exchanges and the NASD oppose the application.

INSIDE

Illustration by Ted Fuks

Investors gain access

A sense of cooperation and compromise is beginning to permeate the proxy voting process, replacing management's traditional exclusionary attitude toward shareholders. In Commentary, Page 15.

Dow Chemical, a plant of which is shown above, is resisting a proposal on independent directors.

Fighting for independence

Proxy proposals seek directors without company ties

By Hillary Durgin

Institutional shareholders have filed proxy resolutions with eight companies demanding a majority of directors be independent of management.

The resolutions, resisted by at least four of the companies, have catapulted insider boards of directors to the top of the corporate governance agenda.

The companies targeted by the activist institutional investors are: Dillard Department Stores Inc., Little Rock, Ark.; Dow Chemical Co., Midland, Mich.; Tribune Co., Chicago; Waste Management Inc., Oak Brook, Ill.; Charming Shoppes Inc., Bensalem, Pa.; Intergraph Corp., Huntsville, Ala.; National Semiconductor Corp., Santa Clara, Calif.; and Occidental Petroleum Corp., Los Angeles.

The four companies resisting the proposals so far are Dillard, Dow, the Tribune and Waste Management. All four have appealed to the Securities and Exchange Commission to have the proposals omitted from their proxy statements.

The resolutions were put forth

See **Proxies** *on page 38*

Cash execs scrutinize FDIC fees

By Fred Williams

Skyrocketing premiums assessed by the FDIC to recapitalize the dwindling Bank Insurance Fund are prompting cash managers to monitor bank fees more carefully.

The National Corporate Cash Management Association is urging treasury managers to examine how their banks assess FDIC-related charges and to check for new charges in their monthly statements. Corporations that use compensating balances to pay for bank services are expected to be harder hit than those that pay cash.

Cash managers contacted by *Pensions & Investments* said assessments for FDIC premiums from their banks have not been a significant item in the past but they expect to monitor the charges as premiums increase.

The fees "obviously will be a concern as (banks) start charging more," said Vicky Roberts, assistant treasurer at Centex Corp., Dallas. "As it becomes a more costly part of our business, it will become more of a concern."

Funding deficits suffered by the Bank Insurance Fund, used to bail out failed or troubled banks, are but a symptom of the problems plaguing the banking industry that are starting to affect banking relationships among large corporate clients. Already, 40 of 100 treasurers of Fortune 500 companies interviewed by Prudential-

See **FDIC** *on page 37*

Catholic orders face retirement shortfall

By Joel Chernoff

Aging priests and nuns face a bleak future, as an impending financial crisis threatens the ability to pay for their retirement needs in more than one-third of the nation's 1,000 Catholic religious communities.

Beset with radically changing demographics, lack of retirement savings and inflationary pressures, retirement-income needs are expected to peak during the next few years.

"It's going to hit some communities so fast and so hard, they will be reeling in three or four years," said Sister M. Oliver Hudon, director of the Tri-Conference Retirement Office, Washington, created by national organizations representing priests, nuns and bishops to aid local communities.

While fund-raising appeals and efforts to control costs have increased, liabilities among U.S. religious communities have grown much faster: The most recent data show a past service unfunded liability totaling $3.9 billion, assuming all cash, investments and properties were available. If properties and facilities owned by the orders and dioceses are excluded from consideration, that unfunded liability jumps to nearly $5.6 billion, according to a recent survey by Arthur Andersen & Co., Milwaukee.

In fact, the survey found 37% of the religious communities had less than 10% of the money needed to fund their retirement needs from cash and investments in 1989, while 82% had less than 50%.

As the number of men and women entering religious life

See **Catholic** *on page 37*

The swelling ranks of elderly Catholic nuns and priests are creating a financial morass for the religious orders.

NEWS DIGEST

Photo by Mary Herleby

A major investor of Federated Department Stores Inc., which owns Bloomingdale's, was cleared to sit on the bondholders' panel and trade securities of the company. Page 37.

SPECIAL REPORT: PIPER

A domestic stock rally in the fourth quarter softened the impact of last year's stock market drop, but the average portfolio still posted negative results. Page 19.

A small closed-end fund concentrating on regional malls outscored all other commingled real estate funds for the year ended Sept. 30. Page 19.

FINANCING

Eight companies are the subject of proxy resolutions filed by institutional shareholders demanding a majority of directors be independent of management. Page 1.

A little-known upstart engineering construction firm is the first U.S. company to issue equity domestically under the SEC's Rule 144A. Page 3.

INTERNATIONAL

MMG Patricof Group raises $400 million in what is believed to be the largest international venture capital fund ever. Page 2.

Investors are being cautioned by a Salomon Brothers executive to be wary of some foreign office markets because of overbuilding. Page 32.

REAL ESTATE

The California Public Employees' Retirement System has established a second close relationship with a real estate developer. Page 3.

Impending commercial bank problems might send more shock waves through the institutional real estate market, a report says. Page 31.

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Money manager survey mailed

Questionnaires for *Pensions & Investments'* annual survey of the largest institutional investment management firms are in the mail. In order for your firm to be included in the May 20 special issue, completed forms must be returned by Feb. 25. If you have not yet received a questionnaire and wish to receive one, contact Christine Philip, directory coordinator, at (312) 649-5217.

Hineman out at Texas fund

Teachers' board reinstates Reischman to realty post

By Fred Williams

AUSTIN, Texas — Bruce Hineman, the executive secretary of the $23 billion Teacher Retirement System of Texas who sacked two senior system executives in the past three months, has himself been placed on administrative leave until his retirement June 30.

Ronald Douglas, deputy executive secretary, has been named acting executive secretary until a replacement is named.

Mr. Douglas said he has rehired one of the two executives forced out by Mr. Hineman. He said Owen A. Reischman, investment officer-real estate, was reinstated to his position effective immediately. Mr. Reischman was relieved of his duties by Mr. Hineman and placed on administrative leave Jan. 28. Mr. Reischman maintained he was fired by Mr. Hineman (*Pensions & Investments*, Feb. 2).

Mr. Douglas declined to comment on the circumstances surrounding Mr. Hineman's departure, saying only Mr. Hineman requested to be placed on administrative leave following a Feb. 11 meeting of the board.

Mr. Hineman, contacted at his home in Austin, said he left by his own choice. "In our discussions (with board members), it evolved to that."

He declined to answer specific questions about his departure or his actions regarding Mr. Reischman and former chief investment officer Joe Perrone, who was terminated in December.

"I feel very relieved; I just tried to do my job the best that I could," he said. Mr. Hineman said he is in the process of establishing an office in Austin for the National Council on Teacher Retirement, where he will serve as executive director.

Ed Wicker, chairman of the system's board of trustees, said Mr. Perrone will be discussed at the next meeting of the board, slated for the first week in March.

Mr. Douglas would not comment on whether the system would seek to reinstate Mr. Perrone. Mr. Perrone said he has had no contact with the board.

The system has hired two executive search firms to find replacements for Messrs. Perrone and Hineman. ■

The Texas Teachers' board has placed Bruce Hineman on administrative leave.

Venture fund hits $400 million

By Marlene Givant Star

NEW YORK — In what is believed to be the largest international venture capital fund ever, MMG Patricof Group has raised $400 million from institutional investors.

Among the investors are the pension funds of AT&T Corp.; the Pennsylvania State Employes' Retirement System; the California Public Employees' Retirement System; and The Massachusetts Pension Reserves Investment Management Board.

British pension fund investors included British Telecommunications; the Post Office Staff Superannuation Scheme; South Yorkshire Pensions Authority; Greater Manchester County Superannuation Fund; Vauxhall & Associated Cos. Common Investment Fund; the Merseyside Superannuation Fund; the West Midlands Metropolitan Authorities Superannuation Fund; and Guardian Royal Exchange. A Canadian fund, the Hospitals of Ontario pension fund, also invested.

The fund also attracted Allstate Insurance Co. and The Equitable Life Assurance Society of the United States.

The commitments, a significant amount from U.S. investors, are all the more extraordinary given the doldrums in the venture capital industry this year. According to Venture Economics, Needham, Mass., only $1.8 billion in new capital was committed to independent private venture capital firms in 1990, compared with $2.4 billion the previous year and a peak of $4.2 billion in 1987. The figure is the lowest since 1982.

The fact that international institutional investors, a large number of which are American, have made this commitment to find the most promising European opportunities of the 1990s is a clear indication that the globalization of the investment community will continue and increase," an MMG Patricof statement said.

The fund, APA European Ventures, consists of three separate country funds. A subsequent and final closing is scheduled for March 31 and may result in an increase in the final amount raised.

The fund will invest in start-ups, early stage growth companies and turnaround investment situations in five countries. Its APA German European Ventures will be the group's first in Germany and, unlike the others, will not limit its investments to domestic companies. It will consider companies in Austria and Switzerland as well.

In addition to capital, MMG Patricof plans to contribute managerial and strategic guidance to its portfolio companies.

Including this fund, MMG Patricof manages $1.5 billion in institutional assets worldwide, of which $1 billion is in Europe.

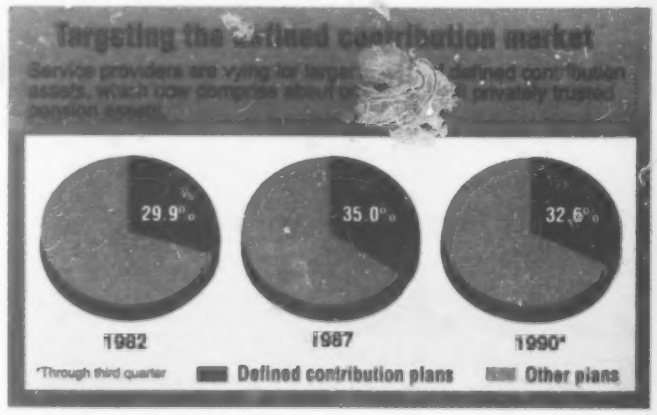
Record keepers fight for clients

By Curtis Vosti

Record-keeping firms are scrambling to attract defined contribution plan clients.

In the past few years, mutual fund institutions have made great inroads on the business dominated since the 1982 advent of 401(k) plans by banks, insurance companies and benefits consulting firms.

Frank Russell Co. has now joined the fray, offering what it calls "one-stop shopping" to defined contribution plans. As mutual fund companies have done, Frank Russell is selling record-keeping services as an enticement to the firm's mutual fund offerings, with the communication advantages of daily valuations offered on the phone to participants and existing organizational structures that can transfer easily to participant record keeping.



But the traditional leaders are not about to give up on the growing market, estimated to be more than $400 billion.

Recently, State Street Bank & Trust Co., Boston, landed trustee-

See **Scramble** *on page 38*

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Equity ■ Balanced ■ Fixed Portfolios

Indexers play it cool on change in S&P

By Trudy Ring

Wary of price distortions, not all stock index fund managers rushed to sell Carter Hawley Hale Stores Inc. shares when the company left the Standard & Poor's 500 Stock Index because of its Chapter 11 filing.

Several were concerned that selling Carter Hawley Hale immediately upon its deletion from the index — at the close of trading Feb. 12 — and simultaneously buying its replacement, Boatmen's Bancshares Inc., would result in selling low and buying high. Carter Hawley Hale closed trading that day at 8, down half a point from the previous day's close, while Boatmen's closed at 38⅜, up 3¼.

Some managers, however, made the transactions immediately to maintain exact tracking of the index. A few didn't have to deal with it at all, because they buy a sample of the index rather than all 500 stocks and didn't hold any Carter Hawley Hale. Bankruptcy screens, not universally used by indexers, didn't consistently predict the retailer's fall.

At Chancellor Capital Management, New York, the bankruptcy screens didn't catch Carter Hawley Hale before the filing, said Jeremy Lefkowitz, managing director. He noted, however, Pan Am Corp., the last S&P 500 company to make a bankruptcy filing before Carter Hawley Hale, had been screened out by the time it filed. Chancellor handles about $1 billion in S&P 500 funds.

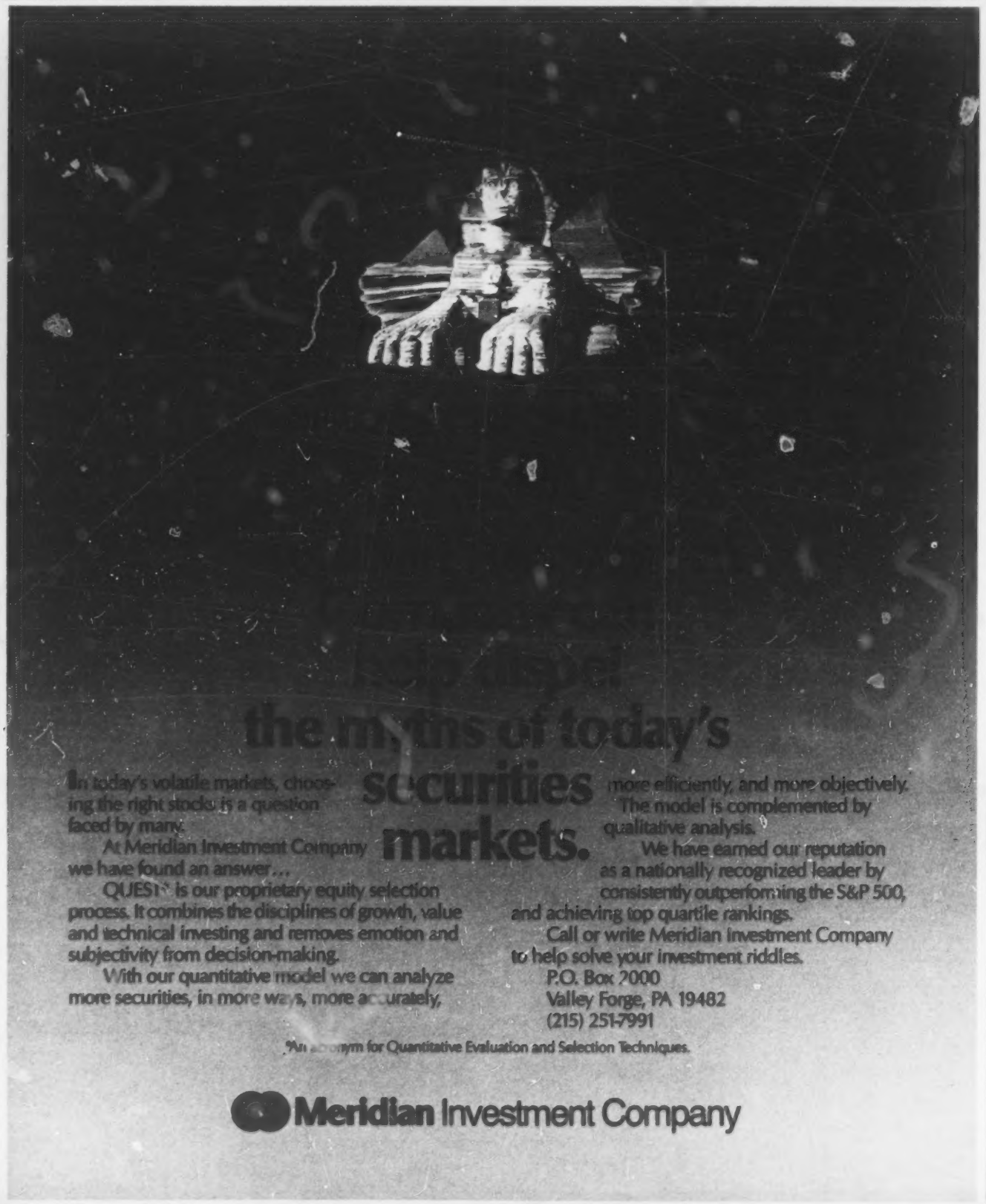
ANB Investment Management Co., Chicago, spread its selling and buying over a few days. "You have the rush of emotion where everybody runs out to sell the stock," said Paul Daley, investment officer. ANB used a futures hedge to avoid tracking error, he said. ANB runs about $6 billion tracking the S&P 500.

PanAgora Asset Management, Boston, sold Carter Hawley Hale and bought Boatmen's as soon as the index changed. Tony Ryan, manager-domestic equities, acknowledged there's debate about such moves, but said PanAgora seeks to track the index exactly, holding all 500 stocks in their capitalization weights and buying or selling them at the price at which they go in or out of the index. PanAgora manages about $1 billion in S&P 500 funds.

The $59 billion California Public Employees' Retirement System, Sacramento, gradually was disposing of the Carter Hawley Hale stock from its S&P 500 fund, and may end up holding some of the stock in its market completion fund, said DeWitt Bowman, chief investment officer.

"We're not strict indexers in the sense that we have to do something exactly when the index does," he said.

Both funds are managed internally and have combined assets of $16 billion. ■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CORRECTIONS & CLARIFICATIONS

- **Robert Garvy** was head of marketing at Wilshire asset management services. His title was misreported in a Jan. 21 article.
- **Pacific Investment Management Co.** took in $2.549 billion in new business during the year ended Nov. 30 and a total of $208 million in new indexed fund business. The numbers were misstated in the Feb. 4 issue.
- **Bankers Trust Co. — Investment Management Group** was listed in the wrong section of the Feb. 4 Scoreboard chart showing top gains in new GIC business. The investment management group is a portfolio manager, not issuer, of guaranteed products.

Real estate investment criteria by property type

Fourth quarter 1990*

Property type	Industrial	Retail: Regional centers	Retail: Community/ neighborhood/ power centers	Office: C&D	Office: Suburban	Apartment
Pre-tax yield (IRR)						
Range**	11-13%	10.5-11.5%	11-12.5%	11-12.5%	12-14%	11-14%
Average	11.7	11.3	11.8	11.6	12.7	12.3
Going-in cap rate	9.0	6.6	8.9	8.0	9.6	8.4
Terminal cap rate	9.3	7.3	9.2	8.5	9.8	8.8

* This survey was conducted in December 1990 and reflects desired returns for fourth quarter 1990 investments.
**Ranges and other data reflect the central tendencies of respondents; high and low responses have generally been eliminated.
Source: Real Estate Research Corp., Chicago

Graphic by Cynthia Watson

REAL ESTATE

Investors putting cash at the top of their deal lists

■ It seems, in the real estate community, that cash indeed is king.

Chicago-based Real Estate Research Corp.'s "Real Estate Investment Survey: Fourth Quarter 1990" indicated a growing tendency among investors to focus on cash-on-cash returns as the primary deal criterion.

Yield expectations continued to climb, with current yield expectations for all property types ranging from 10.5% to 14%. The average yield expectations ranged from 11.3% to 12.7%.

The spread between historical returns from other investment vehicles and the expected yield from real estate remained greater than two percentage points. The trick, however, is to be able to buy low and endure depressed income streams while waiting for improved market conditions, the report states.

The survey also noted the continued, and well-deserved, decline in popularity of office buildings. Offices were preferred by only 7% of the respondents.

Retail and apartment buildings were the most-favored property types, each the preference of 33% of the respondents; industrial sites were preferred by 27%.

In general, the survey found a general sense of optimism for 1991.

Several respondents, for example, said the savings and loan/banking crisis will not be "doomsday deal-killer," but rather a "necessary evil" leading to better investment criteria and a stronger market in the long run.

TERMINATIONS

Reversion issue destined for court

■ The battle between Desoto Inc. and some former employees over a pension surplus apparently is headed for a court showdown in May.

The suit filed in August by four former employees seeks a class-action status and so far has prevented Desoto from terminating its $100 million-plus pension plan.

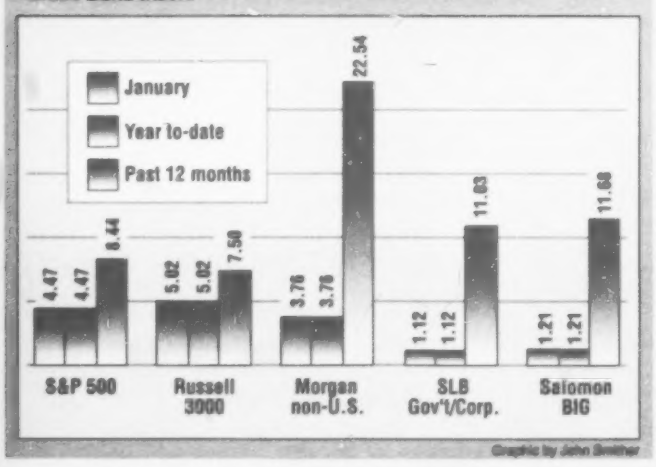
A federal judge in Chicago issued a preliminary injunction against Desoto Dec. 27, preventing it from terminating the plan until the issues of the case are resolved.

The suit alleges the firm laid off 10% of its work force in 1989 and 1990 to reduce liabilities and swell its pension surplus, estimated at $60 million. The suit alleges Desoto planned to terminate the pension fund and distribute the surplus to its shareholders to help fend off a $50-a-share takeover bid from Sutton Holding Corp. That bid eventually was defeated, although Desoto since has sold some of its businesses.

Edna Selan Epstein, attorney for the former employees, said that while she has talked with the company, she is not optimistic a settlement could be reached before the parties return to court in May.

Pensions & Investments' indexes

The P&I monthly indexes track changes in the Standard & Poor's 500, Frank Russell Co.'s Russell 3000 Stock Index, the J.P. Morgan non-U.S. Bond Index, the Shearson Lehman Brothers Government/Corporate Bond Index and the Salomon Brothers Broad Investment Grade Bond Index.



Graphic by John Smither

P. Williams

PEOPLE

New point man on labor panel

■ Pension observers are focusing on Rep. Pat Williams, D-Mont., the new chairman of the House Education and Labor subcommittee on Labor-Management Relations.

Rep. Williams, who succeeds Rep. William L. Clay, D-Mo., will have to decide whether to push for legislation that would protect the pension assets of public retirement systems, a decade-old issue. State and local governments increasingly are turning to pension funds to finance pet projects or balance their budgets.

"It's not just the state and local governments that want to get their hands on your money, it's the feds," Phyllis C. Borzi, pensions counsel to the subcommittee, said at a recent meeting of the National Conference on Public Employee Retirement Systems.

In addition, Ms. Borzi said the Education and Labor Committee might try to block attempts to remove pass-through insurance from bank investments made by pension funds. The Treasury Department and leading congressmen have proposed eliminating the coverage.

INTERNATIONAL

Firm takes subcontracting route

■ Lee, Robinson & Steine Inc., Nashville, has expanded its investment management horizons to include foreign investing. But the firm isn't providing the services.

Lee, Robinson & Steine, which previously only offered domestic stock and bond management, is subcontracting Henderson International Inc., London, to offer management of non-U.S. stocks.

Lee, Robinson & Steine is using a program called Henderson Overseas Portfolio LP. That offering provides clients with individual account management. Henderson International, according to Richard Garland, a Henderson International director and vice president, hopes to develop similar links with other regional U.S. firms.

Lee, Robinson & Steine went the subcontracting route because the firm's executives wanted to offer the service, which the firm itself couldn't provide, because of "a combination of the fact that clients want it and that we felt that over the decade of the 1990s, international investing will become a much bigger field — one in which we wanted our clients to be able to participate," said Charles Robinson, chairman.

BENEFITS

Group taps pollster for 'valid' data

■ The Profit Sharing Council of America wants to add what it calls "valid" information to the debate over the use of lump-sum distributions.

The Chicago-based organization has hired The Gallup Organization Inc. to conduct a national survey of those who received lump-sum distributions in 1990.

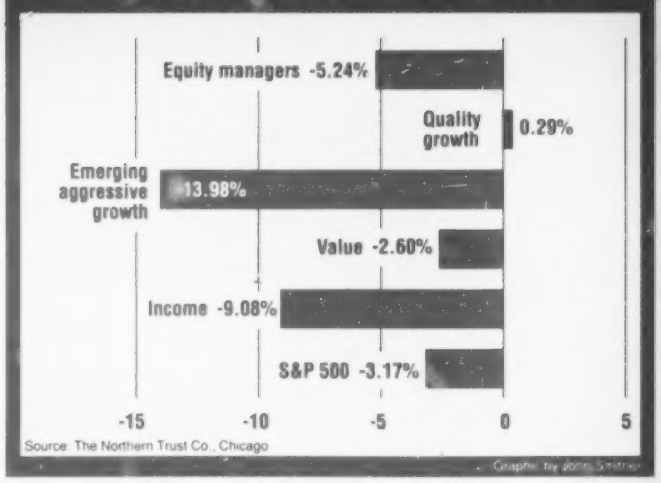
The council says it hopes to produce a "statistically valid" study by summer that could counter moves in Congress to restrict the use of lump-sum distributions. A 1990 Employee Benefit Research Institute study indicated that most of lump-sum distributions had not been rolled over into retirement accounts, prompting government officials to call for restrictions on such distributions.

Council officials say, however, the EBRI study included workers receiving lump-sum distributions before 1986 tax reform, which imposed a penalty on those who did not roll over the assets.

A spokesman for EBRI said while that was true, the trend for those workers who received them after 1986 was about the same.

TNT equity manager universe

Median returns for 12 months ended Dec. 31



Source: The Northern Trust Co., Chicago

Graphic by John Smither

SECURITIES LENDING

Banks make pact on global scale

■ Bank of America's Global Securities Services Group will provide securities lending to its global custody clients through an arrangement with Boston Safe Deposit & Trust Co.'s Securities Management Group.

Bank of America's unit initially will offer its clients the ability to lend Japanese equities and U.S. Treasuries to selected broker/dealers and U.S. regulated commercial banks, according to Lee Harbert, vice president and manager of the group.

Fees generated by the service could enable clients to offset custodial fees, he added.

Boston Safe's Securities Management Group will act as the intermediary for matching the securities of the bank's clients with broker/dealers who need to borrow them for short periods. Boston Safe also will maintain records of the transactions.

New cooperation heading off proxy fights

By Howard D. Sherman

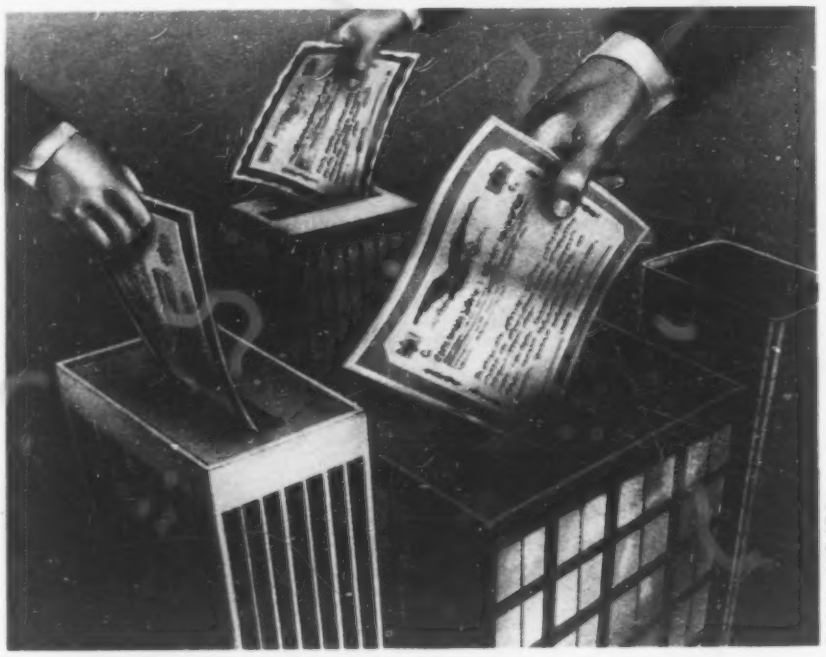


Illustration by Ted Fuka

The traditional pattern of corporate resistance to shareholder proposals is beginning to erode. Instead of always trying to keep them out of proxy material or opposing those put to a vote, corporations now in many cases are compromising with proposal sponsors to find substantive agreement.

This trend started last year with a few compromises (Westinghouse Electric Corp. voluntarily adopting confidential voting after receiving a proposal from the United Shareholders Association; BankAmerica Corp. canceling golden parachutes; and Bear Stearns Cos. agreeing to submit golden parachutes and poison pills to a shareholder vote); and now the trend appears to be building as the new proxy season begins.

So far this year, K mart Corp. agreed to eliminate its poison pill by 1995 unless extended by a shareholder vote, a move in response to a 1990 Wisconsin State Investment Board non-binding proposal that received a majority of shareholder votes. Champion International Corp., a target of numerous proposals in recent years, redeemed its poison pill. General Motors Corp., in response to a proposal from the California Public Employees' Retirement System, agreed to adopted a bylaw provision that would require a majority of GM's board to be independent directors.

Cooperation and communication is manifest in other areas. Dialogue between management and shareholder intermediaries is growing: management consultants like McKinsey & Co., executive compensation planners like Fred Cook & Co., public relations firms like Hill & Knowlton Inc. and proxy solicitation firms like Georgeson & Co., have begun to survey shareholders and their consultants on the likely shareholder responses to restructuring plans, takeover defenses and management compensation packages. The nation's leading activist institutional shareholder, the California Public Employees' system, is talking with the leading corporate coalition, Business Roundtable, about a joint survey of corporate directors.

Why should corporations be more cooperative, especially when they have been so successful in defeating proposals? The reason has to to do with the changed ownership environment of the 1990s.

Shareholders proposing corporate governance initiatives no longer can be dismissed, as they were routinely and often unfairly, as gadflies. Participation has broadened; many institutional investors now devote substantial time and resources to their corporate governance responsibilities and are integrating them into their investment decisions. More institutional investors now include corporate governance items, such as anti-takeover devices, board composition and executive pay policies, in their portfolio screens. The decision to sponsor shareholder initiatives and how to respond to them are an increasingly important aspect of portfolio management.

Few corporations targeted with an all-cash tender offer could expect to remain independent in the 1980s. Today as proxy contests for board control replace tender offers as the primary takeover vehicle, the institutional vote is the key to survival. Along with providing superior returns, working with institutional investors on corporate governance is the single best way corporate management can create the class of patient investors it needs to return to a long-term planning horizon, lower its cost of capital and help it resist takeovers.

The Securities and Exchange Commission is likely to allow more types of shareholder proposals onto management proxy statements. In 1990, the SEC made a major policy shift by allowing proposals on golden parachutes and tobacco on the ballot. In the past, the SEC had rejected these proposals on grounds that they concerned ordinary business matters best left to management. At least one commissioner has suggested the SEC do away with all rules restricting shareholder proposals.

Institutional investors soon will be able to expect majority vote results on more of their proposals. These sponsors will make phone calls, hire proxy solicitors and distribute their own supporting material to generate higher vote counts. Following these sponsors, a growing number of index investors are fast learning the only way to improve performance when they are locked into a stock is by supporting other investors' initiatives designed to unlock value.

Institutional investors are not seeking to run the company, only to improve the corporate governance process, to foster more accountability in officers and directors. There is, in fact, more common ground between active investors and corporate management than the public debate implies.

Some corporations have adopted confidential voting policies, and submitted their poison pills and golden parachutes to a shareholder vote, without losing control of their company. And even in the most personal of corporate governance issues, executive compensation, some corporate managers have adopted new plans that reflect the shareholders' desire to pay for performance. General Mills Inc.'s new stock option plan, enthusiastically supported by shareholders, allows executives to participate only if they forgo annual merit raises.

Cooperation is still the exception. But alternatives to compromise are too costly. Corporate management will face more proxy contests for control, and will lose. They will not be able to focus on long-term business objectives, unless they provide exorbitant premiums in private placements to white squires. Institutional shareholders will grow less tolerant of poor governance practices that clearly lead to loss of value, and will have no other choice than to become even more active. As demonstrated by the reaction to Pennsylvania's new anti-takeover statute, investors do equate an erosion of basic shareholder rights with a loss of value, and will take their money elsewhere when that erosion goes too far. ■

Howard D. Sherman is vice president, Institutional Shareholders Services Inc., Washington.

LETTERS TO THE EDITOR

Venture capital reforms

■ Concerning Edwin Goodwin's Jan. 7 commentary, "Reformers put venture capital in danger," I believe the author has sidestepped the real issue: fairness. The venture capital business has changed dramatically in the past decade, and, yes, a primary reason has been the huge flow of funds into partnerships from institutional investors. But as long as venture capitalists are willing to accept this capital and take fees for managing it, they must be sensitive to the needs and requirements of the investors who have provided that capital.

For the most part, when a limited partner signs on the dotted line, he has locked up a significant amount of capital for 10 or more years. Certain provisions allow for an element of involvement by the limited partner, but the general partner essentially has a very large degree of freedom in managing and investing the capital. Many of the reforms now desired by what Mr. Goodman refers to as "self-appointed" reformers (I call them fiduciaries) will help limit any digression to excess and mismanagement.

Of course, if a prospective investor does not like the terms of any partnerships, he should not invest. But then, if a venture capitalist does not like the initial terms of any prospective deals, he should not invest (if we carry this through to its conclusion, no one would ever do business). Are the terms that many limited partners and gatekeepers are seeking (e.g., less current income and other cost containment terms) any different from those sought by the venture capitalist (e.g., reasonable salaries and proper financial controls in a portfolio company)? And limited partners do not necessarily have an "asset management mentality" (whatever that is) just as the venture capitalists who seek good financial controls in a deal do not necessarily have a "corporate mentality" (whatever that is).

The unfortunate side of this business is that we investors have somewhat of a "herd mentality." This problem will not go away easily. For now, the herd is just trying not to conduct itself like a blind stampede.

Susan Minis
Director-equity investments
GTE Investment Management Corp.
Stamford, Conn.

Don't abandon GICs/BICs

■ In your editorial "Risks of guarantees" (*P&I*, Jan. 7), we agree that diversification by GIC/BIC investors is an important and effective method of reducing risk. Most fiduciaries now employ some type of strategy to avoid concentrating their placements with one insurer. The rapid growth of GIC/BIC advisory services reflects this trend away from a single GIC/BIC provider.

It is something else entirely, however, to suggest that plan participants should be counseled to reduce their exposure to these assets. Participant preference for GICs reflects the conservative nature of most workers. Many shun market volatility, and older workers fear retiring in a down market. They have been willing to sacrifice added returns for a higher degree of stability and and unparalleled security.

Despite heightened scrutiny, the insurance industry remains healthy. Few GIC investors are exposed to significant default risks. With an aging workforce and an economy facing serious challenges, we urge sponsors to take care in trying to change participant investment patterns. This may be the wrong time to push investors toward a possibly more aggressive posture.

Surveys by our association indicate greater participant awareness of the need to diversify. Younger workers, particularly, see the long-term advantages of other assets. What is needed are better education offerings without a "bias" either way. We plan to develop literature to help participants better allocate their dollars in the context of their own risk tolerance.

Larry H. Mylnechuk
Executive director
The GIC Association Inc.
Lake Oswego, Ore.

A clarification from RREEF

■ In the article "RREEF funds maturing" (*P&I*, Feb. 4), attributed to me was the statement: RREEF "hired" IPC to represent the pension fund buyers with regard to our Specified Property Portfolio. This is not correct. RREEF did not hire IPC. Rather, RREEF selected IPC to begin due diligence on the portfolio properties. We did so, as you correctly reported, because IPC has extensive experience acting as an independent fiduciary in transactions that require approval by the Department of Labor. As is clearly stated in our filing to the Labor Department, IPC will be engaged not by RREEF, but by plan sponsors who own interests in Specified Property Portfolio-I.

Some other facts in the article should be corrected. We aren't trying to avoid a sale; rather we think this strategy will permit a sales transition that more fairly reflects the value of an assembled portfolio of 18 properties. Also, the meeting where our clients and the independent fiduciaries will discuss the transaction will be in May, not March.

Donald A. King Jr.
Managing partner
The RREEF Funds
Chicago

Montana ranks higher

■ The market value of the Montana Retirement System funds totaled $1.825 billion as of June 30, not the $1.5 billion as reported in the 1,000 Largest Funds issue (P&I, Jan. 21). As a result, the Montana system should have ranked 178 instead of 210.

The system has eight defined benefit plans and one defined contribution plan. The latter totaled only $6.5 million.

Robert T. Bugni
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Rally is too little too late

4th-quarter surge can't keep stocks positive for 1990

By Terry Williams

A fourth-quarter rally in domestic equities softened the impact of last year's stock market drop, allowing commingled equity funds to post the highest returns for the quarter ended Dec. 31.

The rally, however, wasn't strong enough to salvage a year in which the average equity fund posted a negative return. Insurance company and bank commingled equity funds in the Pensions & Investments' Performance Evaluation Report universe showed a median return of 8.76% for the quarter, but −2.43% for the year ended Dec. 31. The median investment counselor in the PIPER+ universe delivered a 8.81% return for the quarter and −3.12% for the year.

The Standard & Poor's 500 Stock Index returned 8.98% for in the fourth quarter and −3.08% for the year ended Dec. 31.

Bond funds in both universes topped all other style categories for the one-year period. The median PIPER account advanced 8.75%; the median PIPER+ fund returned 8.69%.

For the quarter, the median fixed-income portfolio in the PIPER and PIPER+ universes earned returns of 4.48% and 4.92%, respectively.

The Shearson Lehman Brothers Government/Corporate Bond Index returned 5.1% for the quarter and 8.29% for the year.

The PIPER and PIPER+ reports are compiled by Rogers, Casey & Associates, Darien, Conn.

The stock market rallied in the fourth quarter in response to peace initiatives to resolve the Persian Gulf crisis and stabilizing oil prices, according to a Rogers, Casey report.

Investment managers who specialize in small-capitalization stocks posted the highest individual returns of the fourth quarter, though value managers as a whole had the best median return, 10.35% for the quarter, according to the PIPER+ survey.

Among PIPER+ equity funds, the leaders for the quarter were: Duncan-Hurst Capital Management's Small Cap Growth fund, with a return of 28.51%; Geocapital Corp.'s Small Cap account, 22.59%; and Insight Capital Management Inc.'s Small Capitalization portfolio, 19.7%.

PIPER equity leaders for the quarter were Provident Mutual Life Insurance Co.'s Separate Account 7, with a 18.69% return; First of America Bank Corp.'s Small Cap Value fund, 16.53%; and The Fifth Third Bank's EB Middle Cap portfolio, 16%.

Small-cap stock advocates view the fourth quarter results as the beginning of the end of a seven-year downward spiral in these securities.

Small-cap stocks reached their nadir in the September to early October period, according to James O. Collins, president of Insight Capital, Moraga, Calif.

At the same time, the economy went into its long-anticipated recession, the price of oil stabilized and there were indications from the Federal Reserve Board that the discount rate would again be lowered.

Equity investors perceived this as an opportunity to buy.

"If you go back over the last 50 years, stocks in general have made large gains during a recession, and small-caps have outperformed the large-caps for the 12 months following a recession," said William Duncan, chairman of Duncan-Hurst Capital Management, San Diego, Calif.

For Insight Capital, the Persian Gulf crisis was an added incentive to buy. "We found that when you go into a crisis, you are better off riding it through, especially when you expect it to be short," said Mr. Collins.

Insight Capital's research staff examined the state of the market one year and two years after the past 10 major international and/or economic crises, beginning with the Berlin Blockade in 1948 through John F. Kennedy's assassination in 1963, up to the 1987 market crash.

"One year later the market was up (on average) 26%; two years later it was up 38%," Mr. Collins said. "Also, we expected the discount rate to come down, which it did. Historical data said the market would rise over the next 12 months."

In the fourth quarter, health care and computer technology stocks benefited most from the rally, and are expected to continue to do so as the economy comes out of recession. But there is a belief that the small-cap advance will broaden.

"We may be seeing some of these health-related and technology companies' price-earnings ratios expand too fast to be sustained throughout the year," said Mr. Collins.

"At the moment we are looking for companies somewhat out of this area," he said. "There are other companies with modest p/e ratios with good growth rates."

Barry Fingerhut, senior vice president with Geocapital, New York, said his media holdings, which include cable television and cellular telephone companies, underperformed the Russell 2000 Index for the first nine months, but came back like a "shot" in November.

"The broad-based advance in the small-capital stocks gives me a feeling of comfort that this long period of decline is over," said Mr. Fingerhut.

In the technology area, Mr. Duncan is optimistic about companies that specialize in personal computer networking, personal computer software and automatic data capture. Biotechnology companies also are expected to have an earnings breakout in 1992 and 1993, he said.

Free-standing surgical centers, nursing homes and health maintenance organizations are the priority in the health field, Mr. Duncan added.

Mr. Collins expects the appreciation in small-cap stocks will be sustained because investors are now making investment decisions based on a company's earnings, not its assets.

"In the 1980s, investors were making assets plays," Mr. Collins said.

"They bought companies on the basis of undervalued assets.

"When the junk bond market collapsed, the asset game ended. There is a re-examination of the earnings power of companies." ■

PIPER+ fixed-income funds

Periods ended Dec. 31	Quarter	1 yr.	3 yr.	5 yr.	10 yr.
Highest return	10.50	38.28	18.77	16.08	21.03
First quartile	5.57	9.48	10.56	10.31	13.65
Median	4.92	8.69	9.97	9.76	13.11
Third quartile	3.83	7.55	9.24	9.21	12.55
Lowest return	0.20	-10.83	6.23	4.43	10.27
SLB G/C	5.10	8.29	10.00	9.49	12.60

PIPER+ equity funds

Periods ended Dec. 31	Quarter	1 yr.	3 yr.	5 yr.	10 yr.
Highest return	28.51	31.69	35.34	27.07	24.81
First quartile	10.91	0.85	15.56	14.43	17.62
Median	8.81	-3.12	13.35	12.75	15.20
Third quartile	6.47	-7.39	11.18	10.85	13.59
Lowest return	-11.10	-35.97	-7.33	0.58	6.66
S&P 500	8.98	-3.08	14.12	13.17	13.83

PIPER+ special equity funds

Periods ended Dec. 31	Quarter	1 yr.	3 yr.	5 yr.	10 yr.
Highest return	14.69	58.70	32.51	43.58	19.98
First quartile	8.54	-0.87	13.86	10.86	13.04
Median	1.85	-4.31	8.00	8.53	12.52
Third quartile	0.22	-9.10	4.26	5.97	11.07
Lowest return	-14.73	-19.69	-1.20	2.55	9.56
S&P 500	8.98	-3.08	14.12	13.17	13.83
Russell 2000	5.03	-18.51	5.33	2.42	8.46

Graphic by John J. Bohorquez

PIPER fixed-income funds

Periods ended Dec. 31	Quarter	1 yr.	3 yr.	5 yr.	10 yr.
Highest return	11.58	12.60	12.08	12.18	16.12
First quartile	5.58	8.58	10.17	9.97	13.47
Median	4.48	8.75	9.61	9.12	12.17
Third quartile	3.83	7.55	9.24	9.21	12.55
Lowest return	-4.95	-10.18	4.37	5.00	8.56

PIPER equity funds

Periods ended Dec. 31	Quarter	1 yr.	3 yr.	5 yr.	10 yr.
Highest return	18.69	36.17	26.56	18.92	22.84
First quartile	10.91	0.85	15.56	14.43	17.62
Median	8.76	-2.43	13.16	12.01	13.56
Third quartile	6.51	-6.11	10.99	10.85	13.59
Lowest return	-0.19	-24.98	-2.07	0.49	7.05
S&P 500	8.98	-3.08	14.12	13.17	13.83

PIPER special equity funds

Periods ended Dec. 31	Quarter	1 yr.	3 yr.	5 yr.	10 yr.
Highest return	23.98	20.69	25.65	21.14	16.33
First quartile	13.57	-0.50	15.79	11.66	15.06
Median	9.25	-6.43	11.73	8.92	12.16
Third quartile	5.89	-13.07	8.56	6.14	8.97
Lowest return	-5.21	-32.10	-4.45	-0.88	4.09
S&P 500	8.98	-3.08	14.12	13.17	13.83
Russell 2000	5.03	-18.51	5.33	2.42	8.46

Graphic by John J. Bohorquez

Specialty real estate funds dominate period

By Steve Hemmerick

A small regional mall closed-end fund outscored all other commingled real estate funds in the Pensions & Investments Performance Evaluation Report universe, scoring about 2,000 basis points over median fund returns for the year ended Sept. 30.

Equitable Real Estate Investment Management Inc.'s $393 million HPF1 fund posted a 26.4% return for the year. The median PIPER closed-end fund returned 6.75%; the median PIPER open-end fund advanced 4.49%.

The PIPER numbers showed wide variation in returns among commingled real estate funds. The figures also showed that specialty real estate funds of major insurance companies and banks dominated in performance.

Most of the return from Equitable's HPF1 fund, 21 percentage points, came from appreciation gains similar to what many malls received during the last quarter of 1989 and first quarter of 1990, said Jonathan Miller, a vice president with Equitable Real Estate, New York.

He said future returns for the fund will be affected by softening in real estate appreciation, but the fund will continue to provide "relatively strong returns."

The top performing open-end fund for the year ended Sept. 30, with a total return of 18.3%, was the $875 million John Hancock Financial Services' Separate Accounts fund, which focuses on timberland investments, according to Rick Smith, director of portfolio management for the Timber Resources Group at John Hancock.

Mr. Smith said about two-thirds of the fund's return came from appreciation in acreage. He expects the annual return of the fund, which still is investing assets, to be 10% to 15%.

Another of Boston-based Hancock's timberland funds — the $17 million ForesTree I — placed second among closed-end funds for the one-year period with a total return of 22.2%.

While nearly three-fourths of the return for ForesTree I came from appreciation, some of it came from the sale of timberland, said Mr. Smith. About 10% of the fund's timber acreage, which rose sharply in value, was sold.

The remaining properties in the fund, which was established in 1985, will be sold off during the next five years.

Mr. Smith expects ForesTree I also to have an average annual return of 10% to 15%. About 40% of ForesTree I acreage is in the Pacific Northwest, and 60% is in the Southeast.

Equitable Real Estate's $302.6 million EQK III fund ranked third among closed-end funds, returning 14.9% for the year. The fund has equity interest in four re-

See **Specialty** *on page 28*

Top decile PIPER commingled fixed-income funds

3-month returns

	%
Lincoln Nat'l (Long), Ind.	11.6
Equitable Capital (No. 5), N.Y.	10.3
Boatmen's Trust (F), Mo.	10.1
Prudential (Long term), N.J.	8.8
NCNB Nat'l (Long term), N.C.	7.9
Chase-CMB (Long term), N.Y.	7.8
Commerce Bank, Mo.	7.6
State Bank (D), Ohio	6.9
CIGNA Corp. (Active), Conn.	6.9
U.S. Trust, N.Y.	6.8
PW Trust (Conserv.), N.J.	6.7
Life of Virginia	6.5
Metropolitan Life (S.A. 41), N.Y.	6.4
First Variable Life (H.Q.), Ark.	6.4
Star Bank (Unres.), Ohio	6.2
Bank of Delaware	6.2
Star Bank (PT unres.), N.J.	6.1
Transamerica (S.A. T2), Calif.	6.1
Hawaiian Trust	6.0
IDS Trust (A), Minn.	6.0
Meridian, Pa.	6.0
AmSouth, Ala.	5.9
Key Trust, N.Y.	5.8
CL Capital, Ga.	5.8
New York Life (S.A. 4)	5.8
Sunburst Bank, Miss.	5.8
Ameritrust (GNMA), Ohio	5.8
SLB G/C	**5.1**

1-year returns

	%
SW Nat'l Bank of Pennsylvania	12.6
Bank of Delaware	10.9
United Capital, Colo.	10.9
Chase-CMB (Sec. mtg.), N.Y.	10.6
First Nat'l of Maryland	10.6
Ameritrust (GNMA), Ohio	10.4
Star Bank (Interm.), Ohio	10.4
Connecticut Nat'l Bank	10.4
Morgan Guaranty, N.Y.	10.4
Ameritrust Texas	10.3
LaSalle Nat'l (Inter. gov't), Ill.	10.2
Assoc. Bank-Neenah, Wis.	10.1
First Union Nat'l, N.C.	10.1
Wellington Trust (Interm.), Mass.	10.1
Ameritrust (Reserve), Ohio	10.1
General American (S.A. 6), Mo.	10.1
Mercantile Safe (Interm.), Md.	10.0
Shearson Trust (IF2), Del.	10.0
Nat'l Bank of Detroit	10.0
Shearson Trust (IF3), Del.	10.0
Shearson Trust (IF1), Del.	9.9
Central Bank Denver	9.9
Shawmut Bank (Interm.), Mass.	9.9
Shearson Trust (IF5), Del.	9.9
The Principal, Iowa	9.9
Mercantile Safe, Md.	9.9
Comerica (Interm.), Mich.	9.9
Valley Fidelity, Tenn.	9.9
SLB G/C	**8.3**

5-year returns

	%
Meridian, Pa.	12.2
Equitable Capital (No. 5), N.Y.	12.0
Transamerica (S.A. T2), Calif.	11.9
General American (S.A. 9), Mo.	11.1
General American (S.A. 6), Mo.	11.0
The Principal, Iowa	10.9
IAA Trust (B), Ill.	10.8
United Capital, Colo.	10.8
Boatmen's Trust (F), Mo.	10.7
Prudential (Long term), N.J.	10.7
Pacific Financial, Calif.	10.7
First Nat'l Amarillo, Texas	10.7
Morgan Guaranty, N.Y.	10.6
Sanwa Bank (C), Calif.	10.6
Harris Trust, Ill.	10.6
Chase-CMB (Long term), N.Y.	10.5
Connecticut Nat'l Bank	10.4
Beverly Trust, Ill.	10.4
Aetna Life (Shares), Conn.	10.3
Fidelity Bank, Pa.	10.3
Marine Midland, N.Y.	10.3
Mercantile Safe, Md.	10.3
CoreStates Invst., Pa.	10.3
First Wachovia, N.C.	10.3
First Kentucky Trust	10.2
SLB G/C	**9.5**

10-year returns

	%
Transamerica (S.A. T2), Calif.	16.1
Meridian, Pa.	15.4
United Capital, Colo.	14.9
Boatmen's Trust (F), Mo.	14.5
Sovran Capital, Va.	14.3
Life of Virginia	14.2
First Kentucky Trust	14.1

Connecticut Nat'l Bank	14.1
Sanwa Bank (C), Calif.	14.0
Beverly Trust, Ill.	14.0
IAA Trust (B), Ill.	14.0
Pacific Financial, Calif.	13.9
ASB Capital, D.C.	13.8
First Nat'l Amarillo, Texas	13.8
Morgan Guaranty, N.Y.	13.7
Society Nat'l, Ohio	13.6
Prudential (Privest), N.J.	13.6
SLB G/C	**12.8**

Top decile PIPER commingled equity funds

3-month returns

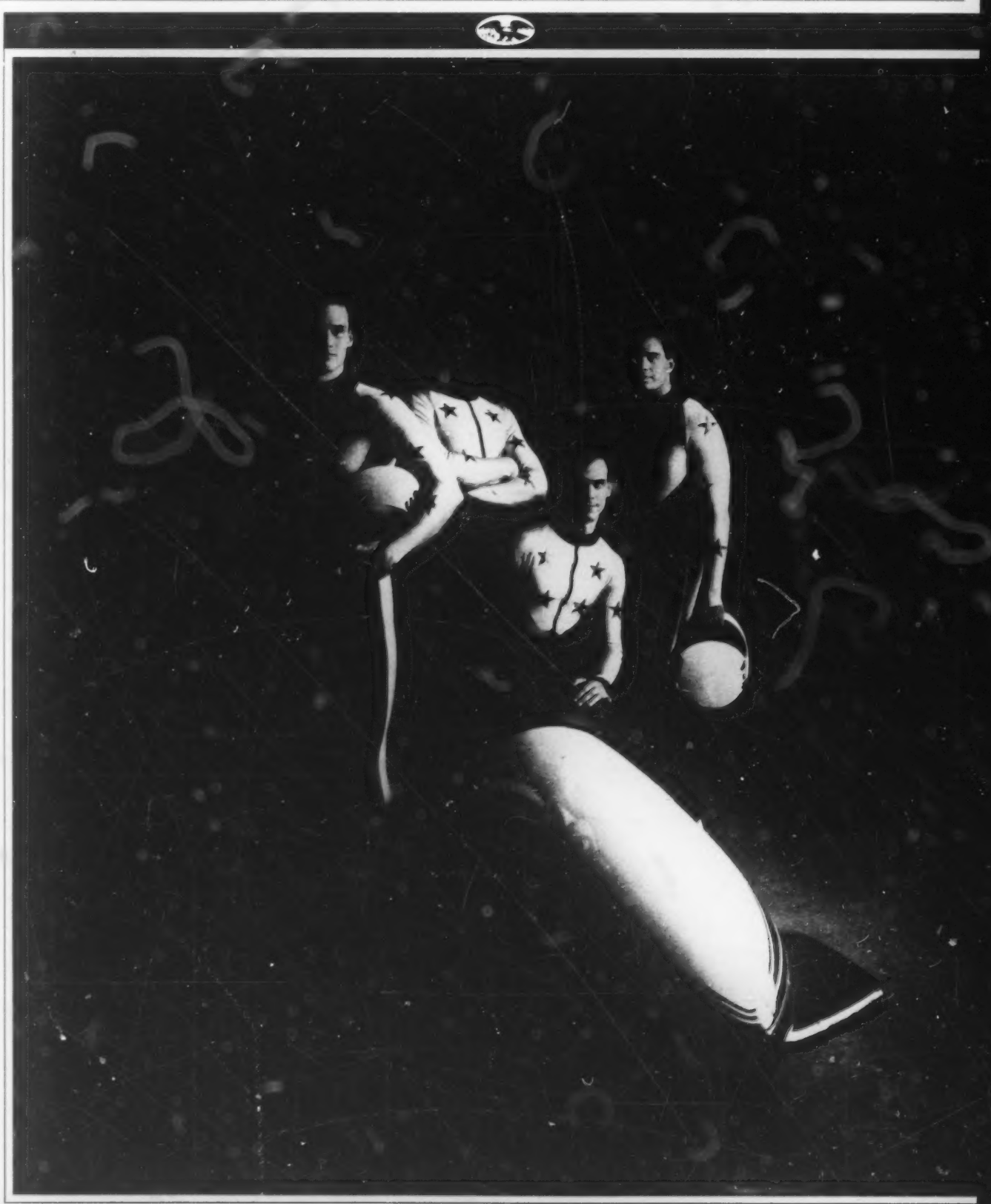
	%
Provident Mutual (S.A. 7), Pa.	18.7
First of America (Sm. cap. value)	16.5
Fifth Third Bank (Mid. cap.), Ohio	16.0
First Nat'l of Tulsa, Okla.	16.0
Prudential (Earn. mo.), N.J.	15.2
First Trust Corp., Colo.	14.8
Northern States, Ill.	14.5
Shearson Trust (EF6), Del.	14.2
Merus Capital (Sp. growth), Calif.	14.1
Chancellor (Growth), N.Y.	13.5
Mercantile Safe (2nd century), Md.	13.5
Home Life, N.Y.	13.2
Equitable Capital (No. 4), N.Y.	13.1
Chancellor (Multifact), N.Y.	13.1
State Street (Matrix syn./CM9)	13.1
Penn Mutual (S.A. A), Pa.	13.1
Chancellor (Styleshift), N.Y.	12.8
PW Trust (Value), N.J.	12.7
First Union Nat'l, N.C.	12.7
Liberty Nat'l, Okla.	12.6
Pacific Financial (Sm. cap.)	12.5
Wellington (Div. growth), Mass.	12.5
NBD Trust, Ill.	12.0
Manufacturer Affiliate (Gro.), Ill.	12.0
Manufacturers Detroit (E)	12.0
Pacific Financial (Cap. app.)	11.9
Riggs Nat'l, D.C.	11.8
Fifth Third Bank, Ohio	11.7
BayBanks Invst., Mass.	11.7
Second Nat'l Bank (Growth), Ohio	11.7
Pacific Financial (Div. low p/e)	11.6
S&P 500	**9.0**

1-year returns

	%
Minnesota Mutual (S.A. C)	36.2
Princeton Bank, N.J.	10.8
The Phoenix, Conn.	8.8
First American of Georgia	8.0
Chancellor (Growth), N.Y.	7.7
Chancellor (Sel. growth), N.Y.	7.7
Commercial Capital (Sp. gro.), Ark.	7.7
SW Nat'l Bank of Pennsylvania	7.5
Sentry Equity (S.A. B), Wis.	7.1
CoreStates Invst. (Growth), Pa.	6.5
Sanwa Bank (D), Calif.	5.7
NBD Trust, Ill.	5.6
Commerce Bank, Mo.	5.6
Fifth Third Bank-Toledo, Ohio	5.4
Bank of New York	5.3
Summit Trust, N.J.	5.2
Chicago Title & Trust, Ill.	5.0
First Nat'l of Tulsa, Okla.	4.9
American Nat'l Bank, Ind.	4.7
Shearson Trust (EF7), Del.	4.6
United Carolina Bank, N.C.	4.6
Norwest Bank, Minn.	4.6
Aetna Life (S.A. 2), Conn.	4.5
Liberty Nat'l, Okla.	4.5
Commercial Capital, Ark.	4.2
First Alabama Bank (I)	4.0
The Phoenix (Growth S), Conn.	4.0
Assoc. Manitowoc, Wis.	3.9
The New England (Sep. cap. gro.)	3.9
First Illinois (Personal)	3.7
New York Life (S.A. 1)	3.7
S&P 500	**3.1**

5-year returns

	%
Chancellor (Sel. growth), N.Y.	18.9
Shearson Trust (EF7), Del.	18.9
Sun Bank, Fla.	18.8
Pacific Financial (Sm. cap.)	18.1
Bank One, Indianapolis (L)	17.4
The Phoenix (Growth S), Conn.	17.3
State Street (Matrix syn./CM9)	16.9
Lincoln Nat'l (Select), Ind.	16.8
NCNB Nat'l (Growth), N.C.	16.5



Assoc. Manitowoc, Wis.	16.4
First Nat'l Amarillo, Texas	16.3
Mark Twain Bank, Mo.	15.9
Chancellor (Growth), N.Y.	15.8
Minnesota Mutual (S.A. C)	15.8
IDS Trust (Core growth), Minn.	15.7
Pacific Financial (Cap. app.)	15.6
South Carolina Nat'l	15.3
Pacific Financial (Income)	15.3
Southtrust Bank, Ala.	15.3
First American of Georgia	15.1
Assoc. Bank-Neenah (I), Wis.	15.0
Chancellor (Indexplus), N.Y.	15.0
First Illinois (Personal)	15.0
The Phoenix, Conn.	15.0
Wheeling Doll... Bank (B), W. Va.	15.0
Bank One Wis. Trust (Growth)	14.9
S&P 500	**13.2**

10-year returns

	%
Sun Bank, Fla.	22.8
Pacific Financial (Cap. app.)	20.3
Provident Mutual (S.A. 1), Pa.	18.1
Merus Capital (Income), Calif.	17.3

First Nat'l Amarillo, Texas	17.2
U.S. Nat'l Bank, Texas	17.2
First Union Nat'l, N.C.	17.2
First Fidelity (Sel. value), N.J.	17.1
First NH Invst. (A)	16.8
Merus Capital (Growth plus), Calif.	16.6
Wheeling Dollar Bank (B), W. Va.	16.5
Manufacturer Affiliate (Gro.), Ill.	16.5
Manufacturers Detroit (E)	16.5
United Capital, Colo.	16.5
Markston Invst., N.Y.	16.3
First Nat'l of Omaha (D), Neb.	16.3
First Wisconsin (Portico inc./gro.)	16.2
Dominion Capital (Corp.), Va.	16.2
Minnesota Mutual (S.A. C)	16.1
S&P 500	**13.9**

Top decile PIPER commingled special equity funds

3-month returns

	%
Chancellor (Em. health), N.Y.	24.0
Princeton Bank (Em. gro.), N.J.	22.8
Manufacturers Detroit (Sm. cap. I)	22.2
Chase-CMB (Sm. cap. gro.), N.Y.	20.4
Chase-CMB (Med. cap.), N.Y.	20.4
Putnam Cos. (Spec. gro.), Mass.	18.4
Equitable Capital (Gro. 3), N.Y.	17.1
S&P 500	**9.0**
Russell 2000	**5.0**

1-year returns

	%
Chancellor (Em. health), N.Y.	20.7
Equitable Capital (Convert.), N.Y.	20.3
Equitable Capital (Gro. 3), N.Y.	9.4
Princeton Bank (Em. gro.), N.J.	7.3
Lincoln Nat'l (Sp. opp.), Ind.	6.4
Norwest Bank, Minn.	4.1
Shearson Trust (EF2), Del.	3.5
S&P 500	**-3.1**
Russell 2000	**-18.5**

5-year returns

	%
Shearson Trust (EF2), Del.	21.1
Shearson Trust (EF3), Del.	18.5
Putnam Cos. (Sp. growth), Mass.	15.8
Connecticut Nat'l Bank	14.7
Equitable Capital (Convert.), N.Y.	14.7
Norwest Bank, Minn.	14.0
S&P 500	**13.2**
Russell 2000	**2.4**

10-year returns

	%
Bessemer Trust (Em. gro.), N.Y.	16.3
Norwest Bank, Minn.	16.2
First Wis. Asset (Growth B)	16.2
S&P 500	**13.9**
Russell 2000	**8.5**

Top half PIPER commingled international funds

3-month returns

	%
Chase-CMB (Fixed), N.Y.	11.7
FTA Europe & Pacific	**11.6**
Travelers Cos. (Fixed), Conn.	11.2
Trust Co./West (Global), Calif.	11.1
Citicorp Invst. (Fixed), N.Y.	11.1
Wells Fargo (Equity index), Calif.	10.7
Bankers Trust (EAFE), N.Y.	10.6
MSCI EAFE	**10.6**
FTA World	**10.5**
State Street (Index), Mass.	10.3
Chase-CMB (EAFE), N.Y.	10.1
MSCI World	**9.8**
Global Fixed Income (Bond)	9.6
U.S. Trust, N.Y.	9.5
First NH-Bank Ireland (Eq.)	9.2
Global Fixed Income (Glo. bond)	9.1
Chase-CMB (Equity), N.Y.	8.9
Provident Capital (Low p/e), Pa.	8.8
Aetna Life (S.A. 137 equity), Conn.	8.7
Connecticut Mutual (Overseas)	8.5
Ameritrust Texas (Bond)	8.4
CIGNA Corp. (Equity), Conn.	8.0
Morgan Guaranty (Bond), N.Y.	7.6
Travelers Cos. (S.A. W), Conn.	7.5
CL Capital (Stock), Ga.	7.4
Ameritrust Texas (Equity)	7.3

1-year returns

	%
Citicorp Invst. (Fixed), N.Y.	21.6
Chase-CMB (Fixed), N.Y.	18.4
Morgan Guaranty (Bond), N.Y.	17.6
Global Fixed Income (Glo. yield)	16.8
Global Fixed Income (Glo. bond)	15.2
Ameritrust Texas (Bond)	15.1
Global Fixed Income (Bond)	14.4
IAA Trust (CTF I), Ill.	2.1
CIGNA Corp. (Equity), Conn.	-0.2
NCNB Nat'l (Equity), N.C.	-1.8
Trust Co./West (Global), Calif.	-2.0
Lincoln Nat'l (S.A. 22), Ind.	-3.5
First NH-Bank Ireland (Eq.)	-3.8
IDS Int'l (Equity), Minn.	-4.4
Putnam Cos. (Equity), Mass.	-6.6
CL Capital (Stock), Ga.	-6.8
U.S. Trust, N.Y.	-8.2
Travelers Cos. (S.A. W), Conn.	-8.4
Connecticut Mutual (Overseas)	-9.1
Provident Capital (Low p/e), Pa.	-9.3
The Principal (Stock), Iowa	-9.6
Wellington Trust (Emerg. eq.)	-10.1
MSCI World	**-16.5**
FTA World	**-17.1**
MSCI EAFE	**-23.2**
FTA Europe & Pacific	**-23.8**

5-year returns

	%
CIGNA Corp. (Equity), Conn.	22.9
Provident Capital (Low p/e), Pa.	22.9
Global Fixed Income (Glo. bond)	20.7
CL Capital (Stock), Ga.	20.3
Wellington (Pacific Basin), Mass.	19.8
U.S. Trust, N.Y.	19.8
Bankers Trust (Equity), N.Y.	19.5
NCNB Nat'l (Equity), N.C.	19.0
Bessemer Trust (E), N.Y.	19.0
FTA Europe & Pacific	**18.6**
Chase-CMB (EAFE), N.Y.	18.4
State Street (Index), Mass.	18.4
Wells Fargo (Index), Calif.	18.4
MSCI EAFE	**18.4**
Chase-CMB (Fixed), N.Y.	17.6
IDS Int'l (Equity), Minn.	17.0
FTA World	**15.3**
MSCI World	**15.1**

10-year returns

	%
Bankers Trust (Equity), N.Y.	17.8
Putnam Cos. (Equity), N.Y.	17.3
MSCI EAFE	**17.0**
FTA Europe & Pacific	**16.7**
U.S. Trust, N.Y.	16.3
MSCI World	**14.9**
Bessemer Trust (E), N.Y.	14.7
FTA World	**13.2**

Top decile PIPER + fixed-income funds

3-month returns

	%
Peters, Gamm, West & Vincent	10.5
Equitable Capital (No. 5)	10.3
Income Research (Long duration)	10.0
Bridgewater Asset (Act. dur.)	10.0
Duff & Phelps Invst. (Value)	9.3
Criterion Invst. (Long)	9.0
Leshner Financial (Treas.)	8.8
Anhalt/O'Connell (Ex. maturity)	8.7
Security Capital (En. long term)	8.4
Perpetual Advisory (Stamp)	8.4
Bradford & Marzec (Long dur.)	7.8

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Investment Advisers (Act. dur.)	7.8
MacKenzie Invst. (Core)	7.7
Investment Advisors	7.5
STW Fixed Income (Long)	7.3
Denver Invst. (Long term)	7.1
Jamison Eaton & Wood (Lg. pub.)	7.1
NWQ Invst.	7.0
Wright Investor's	7.0
Durkee Capital (Act. quant.)	6.7
Trevor Stewart Burton & Jacobson	6.7
Criterion Invst. (Total return)	6.7
Smith Affiliated Capital	6.6
SLB G/C	**5.1**

1-year returns

	%
Perpetual Advisory (Stamp)	38.3
Seaboard Invst.	14.7
Duff & Phelps Invst. (Value)	13.3
Hoisington Invst.	13.2
Wagstaff, Lodefink & Assoc.	12.0
American & European (P-max)	11.3
Morgan Grenfell Capital	11.1
Durkee Capital (Act. quant.)	11.1
Criterion Invst. (Mtg.)	11.0
Smith Breeden (Mtg. short dur.)	11.0
Fox Asset Mgmt.	10.9
Atlantic Portfolio Analytics (A)	10.7
Dimensional Fund (5-year)	10.7
Independence One (PRIMA V)	10.7
INVESCO Capital	10.4
Bell Capital (Mgd.)	10.3
McCowan Assoc.	10.2
Cumberland Advisors	10.1
JCW Invst. (Value # up)	10.1
Brundage, Story and Rose	10.1
U.S. Trust of California	10.0
Munder Capital (Act.)	10.0
RNC Capital (ST gov't)	9.9
SLB G/C	**8.3**

5-year returns

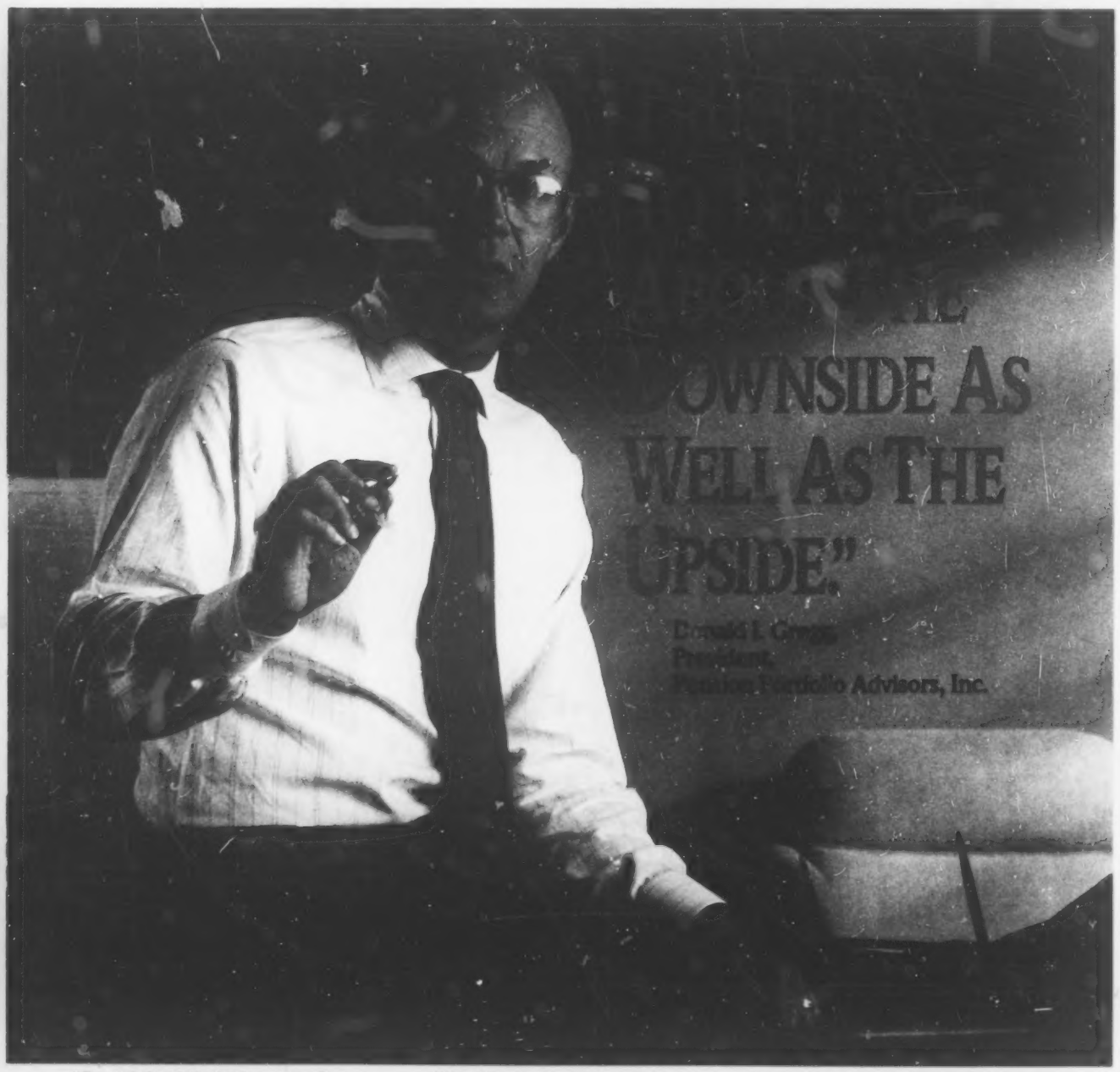
	%
Seaboard Invst.	16.1
Bridgewater Asset (Act. dur.)	14.8
Fox Asset Mgmt.	13.8
Morgan Grenfell Capital	13.0
Meridian Invst.	12.2
American & European (P-max)	12.0
Hoisington Invst.	12.0
Equitable Capital (No. 5)	12.0
STW Fixed Income (Long)	11.8
Durkee Capital (Act. quant.)	11.7
Wagstaff, Lodefink & Assoc.	11.5
Ferguson & Wellman (Int. rate)	11.1
SAFECO Asset	11.1
Jamison Eaton & Wood (Lg. pub.)	11.1
Dolan Capital	11.1
Duff & Phelps Invst.	11.0
Miller Anderson & Sherrerd (Mtg.)	11.0
Pacific Invst. Mgmt., (Tot. ret.)	11.0
Consistent Asset (Total return)	11.0
SLB G/C	**9.5**

10-year returns

	%
Bridgewater Asset (Act. dur.)	21.0
Consistent Asset (Total return)	16.1
Smith Affiliated Capital	16.0
STW Fixed Income (Long)	15.7
Morgan Grenfell Capital	15.7
Meridian Invst.	15.4
Wolf Webb Burk Campbell	15.3
Huff Asset	15.2
Independence One (PRIMA X)	15.1
Miller Anderson & Sherrerd (Mtg.)	15.1
Rightime Econometrics (Tr. cash)	15.0
Greenwich Asset	15.0
Dolan Capital	14.9
SLB G/C	**12.8**

Top decile PIPER + equity funds
3-month returns

	%
Duncan-Hurst (Sm. cap. gro.)	28.5
Geocapital (Sm. cap.)	22.6
Insight Capital (Sm. cap.)	19.7
Morgan Stanley Asset (Em. gro.)	19.7
Wasatch Advisors (Rep.)	19.4
Mt. Auburn Mgmt.	19.2
Putnam Cos. (Sp. growth)	18.3
Fred Alger (Sm. cap.)	18.2
Scudder Stevens Clark (Sm. co.)	17.4
Equitable Capital (Sp. growth)	17.1
Securities Counsel (Sm. cap.)	16.5
J&W Seligman (Gro. & income)	16.4
Hellman, Jordan	16.2
Wilke/Thompson (Sm. cap. gro.)	16.2
Hellman, Jordan (Combustion)	16.1
Granahan Invst. (Explorer II)	16.0
Wright Investor's (Sm. cap.)	15.8
Baring America (Evs.)	15.8
Peregrine Capital (Sm. cap.)	15.4
Wasatch Advisors (Comp.)	15.4
Putnam Cos. (OTC emerg. gro.)	15.3
Provident Invst. (Stellar)	15.0
Standish, Ayer & Wood (Sm. cap.)	15.0
Wall Street Assoc. (Sm. cap. gro.)	14.9
Nelson, Benson & Zellmer	14.8
Dawson Samberg (Growth)	14.8
Fred Alger (Comp.)	14.7
McCowan Assoc. (Spec.)	14.7
Cooke & Bieler	14.6
Jundt Assoc. (Sm. cap.)	14.6
Cheswick Invst.	14.3
Hatteras Capital	14.3
Severn Assoc. (I)	14.2
New Amsterdam Partners (Two)	14.0
Waite & Correnti	14.0
Wright Investor's (Quality core)	14.0
Harris Bretall Sullivan & Smith	13.9
Ashfield & Co.	13.7
Hanson Invst.	13.6
Brown Capital (Rel. value)	13.5
Munder Capital (Dem. growth)	13.5



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Systematic Fin. (High cash flow)	13.4
S&P 500	**9.0**

1-year returns

	%
Dunnavan & Co. (Act. short sell)	31.7
Securities Res. (Kemper Summit)	19.2
Lehman Ark (Sp. sit.)	18.4
Securities Res. (Putnam Voyager)	16.2
Mt. Auburn Mgmt.	14.7
Rampart Invst. (Momen. capture)	13.5
Jundt Assoc. (Sm. cap.)	13.3
Duncan-Hurst (Sm. cap. gro.)	12.1
Cheswick Invst.	12.0
Securities Res. (Nat'l)	11.3
Tukman Capital	10.6
Cohen, Davis & Marks	10.5
Gateway Invst (Index ra.)	10.4
Equitable Capital (Sp. growth)	9.4
Dawson Samberg (Growth Pequot)	9.2
Cooke & Bieler	9.1
Hatteras Capital	8.6
Combined Capital (Quality gro.)	8.5
Dundee Partners	7.9
Pension Mgmt.	7.7
Scudder Stevens Clark (Sm. co.)	7.5
Morgan Stanley Asset (Em. gro.)	7.4
Wasatch Advisors (Comp.)	7.3
Northern Invst.	7.2
Provident Invst.	7.0
Ashland Mgmt.	6.8
Harris Bretall Sullivan & Smith	6.8
Fred Alger (Sm. cap.)	6.7
Wilke Thompson (Sm. cap. gro.)	6.7
General American (Closed end)	6.5
Wilke Thompson (Growth)	6.5
Robert W. Baird (Quality gro.)	5.7
Lincoln Capital	5.4
Lynch & Mayer (Growth)	5.0
Kidder Peabody (Max. return)	5.0
MacKay-Shields (Growth)	5.0
Aetna Life (Lg. cap. gro.)	4.9
Securities Res. (Dreyfus Growth)	4.8
Peregrine Capital (Growth)	4.7
Renaissance Invst.	4.7
Granahan Invst. (Explorer II)	4.6
Willoughby Holin & Rentner (Gro.)	4.4
S&P 500	**3.1**

5-year returns

	%
Ashfield & Co.	27.1
C.H. Brown (Computer dir.)	22.6
Quantitative Asset (En. index)	22.4
Kingsly Jennison McNulty Morse	22.2
Hatteras Capital	21.6
Cheswick Invst.	21.1
Duncan-Hurst (Sm. cap. gro.)	21.0
DeJarnette Invst.	19.7
Securities Res. (Dreyfus Growth)	19.6
Pension Mgmt.	19.5
Jundt Assoc. (Sm. cap.)	19.4
Combined Capital (Quality gro.)	19.2
Dundee Partners	18.9
Tukman Capital	18.2
WR Lazard (Growth)	17.9
Turner Neill Invst. (Core)	17.7
Invst. Research (Max growth)	17.5
Breau Capital	17.5
Hutson Mgmt. (Growth)	17.4
Institutional Capital	17.3
Lehman Ark (Sp. sit.)	17.2
Balch Hardy Scheinman Winston	17.1
Jurika & Voyles	17.0
Davis, Weaver & Mendel	17.0
Columbus Circle	17.0
Lincoln Capital	16.9
Leylegian Invst.	16.9
Fayez Sarofim	16.8
Arnhold S. Bleichroeder (Bot. up)	16.7
Provident Invst.	16.4
Lynch & Mayer (Growth)	16.3
Argus Investors' (Lg. cap.-divers.)	16.3
First Security	16.2
John A. Levin (Cap. weighted)	16.1
Harris Bretall Sullivan & Smith	16.1
Brinson Partners	16.1
S&P 500	**13.2**

10-year returns

	%
Ashfield & Co.	24.8
C.H. Brown (Computer dir.)	23.8
Balch Hardy Scheinman Winston	22.0
GAMCO Investors (ERISA)	21.8
Severn Assoc. (I)	21.6
Securities Res. (Dreyfus Growth)	21.3
Quantitative Asset (En. index)	21.1
Roxbury Capital	21.0
Nicholas-Applegate (En. growth)	20.8
Cadence Capital (Lg. cap.)	20.4
Neuberger and Berman	20.2
Roger Engemann & Assoc.	20.0
MPI Invst.	19.9
Ashland Mgmt.	19.9

Delta Financial (Value)	19.8
Fox Asset	19.7
Leylegian Invst.	19.6
First Security	19.5
Systematic Fin. (High cash flow)	19.4
Wiltshire Asset (Sm. comp. value)	19.3
Tom Johnson Invst.	19.2
Caldwell & Orkin	19.2
Capital Growth	19.2
Geewax Terker & Co.	19.1
S&P 500	**13.9**

Top decile PIPER + special equity funds

3-month returns

	%
Brinson Partners (Post venture)	14.7
MPT Assoc. (Agg. growth)	14.1
Riggs Invst. (Growth)	13.4
Equitable Capital (Convert.)	10.6
S. Squared Tech (Sm. cap.)	10.2
S&P 500	**9.0**

Russell 2000	**5.0**

1-year returns

	%
Feshbach Brothers (Southgate)	58.7
Pacific Century (SPNB agg.)	40.0
RTA Mgmt. (Hedge)	36.1
Equitable Capital (Convert.)	5.7
Axe-Houghton (Emerg. growth)	5.3
S&P 500	**-3.1**
Russell 2000	**-18.5**

5-year returns

	%
Feshbach Brothers (Southgate)	43.6
NFJ Invst. (Select)	35.5
W.H. Reaves (Utility energy)	15.0
S&P 500	**13.2**
Russell 2000	**2.4**

10-year returns

	%
W.H. Reaves (Utility energy)	20.0

IDC Portfolio (Utility)	18.7
S&P 500	**13.9**
Russell 2000	**8.5**

Top half PIPER + global equity funds

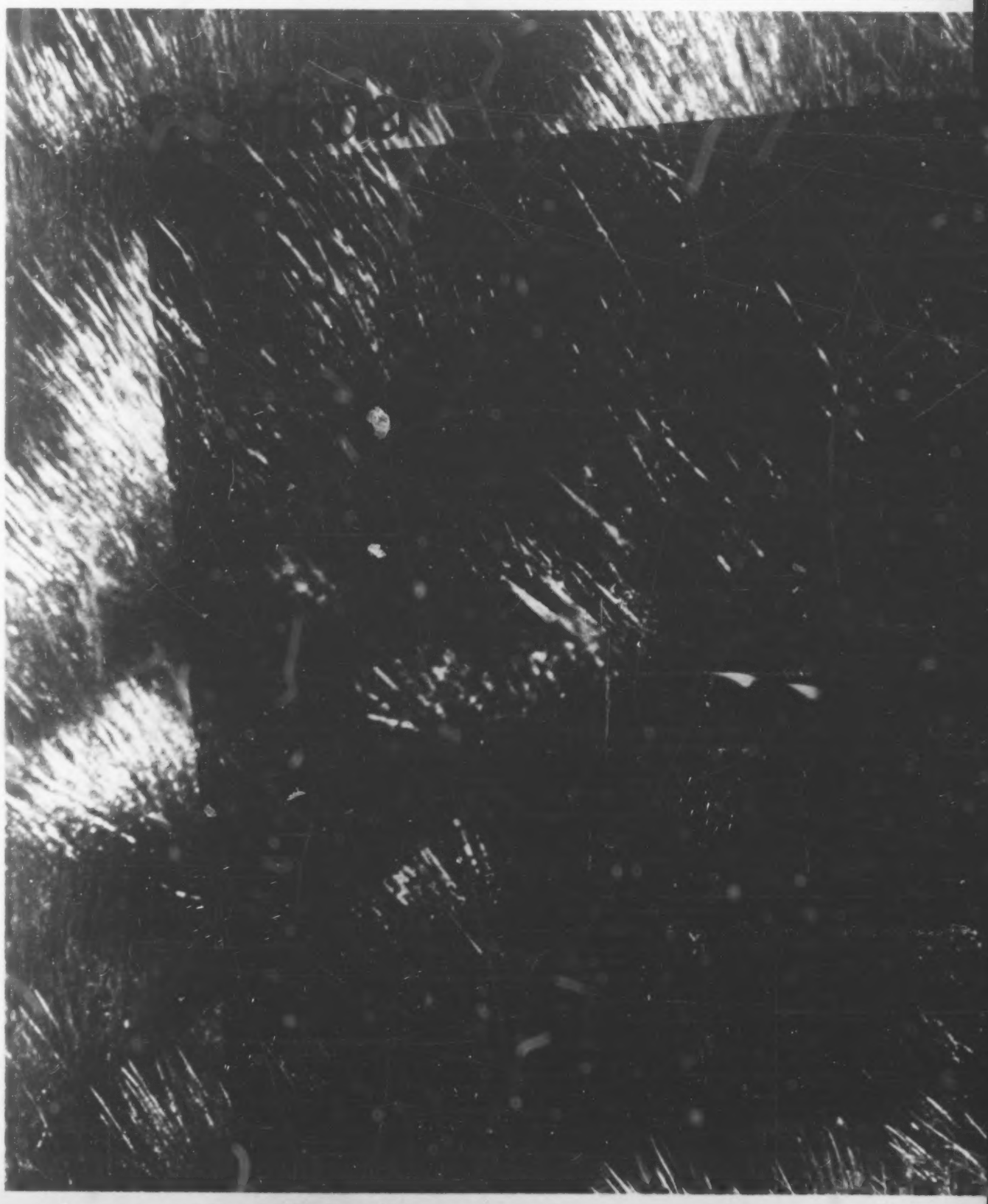
3-month returns

	%
FTA World	**10.5**
Parametric Portfolio	9.9
MSCI World	**9.8**
Stewart, Ivory (RCB/Stewart)	9.7
IDS Int'l	9.5
Edinburgh Wilmington Int'l	8.5
First Interstate Bank of California	8.4
Brinson Partners	8.2
Marvin & Palmer	7.6
Ivory & Sime Int'l (3)	7.3
Credit Suisse Asset	7.0
Capital Guardian (New Persp. F)	6.8
James Capel Fund	6.6
GIM Global	6.4

Martin Currie (A)	6.2
Fiduciary Trust	6.0
HD Int'l	5.9
Lexington Mgmt.	5.8
Putnam Cos.	5.7

1-year returns

	%
IDS Int'l	-0.4
Capital Guardian 'New persp. F)	-2.1
Martin Currie (A)	-3.6
Credit Suisse Asset	-4.3
Fiduciary Trust Co. Int'l	-4.9
Brinson Partners	-6.3
Marvin & Palmer	-6.7
Edinburgh Wilmington Int'l	-6.7
Horn & Co.	-7.7
Ivory & Sime Int'l (3)	-7.8
Van Eck Assoc. (World trends)	-8.2
Putnam Cos.	-8.5
Stewart, Ivory (RCB/Stewart)	-8.9
Scudder Stevens & Clark	-8.9
Henderson Admin.	-10.0
GIM Global	-10.2



James Capel Fund	10.5
MSCI World	**16.5**
FTA World	**17.1**

5-year returns

	%
Burgess Capital	23.6
Martin Currie (A)	21.5
WorldInvest	20.2
Brinson Partners	18.6
Stewart, Ivory (RCB Stewart)	18.1
Ivory & Sime Int'l (3)	17.8
IDS Int'l	17.0
Warburg Invst. (SL3)	16.3
Credit Suisse Asset	16.0
HD Int'l	15.7
Scudder Stevens & Clark	15.3
FTA World	**15.3**
MSCI World	**15.1**
Marvin & Palmer Assoc.	15.1
Fiduciary Trust Co. Int'l	14.7

Proxy season preview: April 15.

10-year returns

	%
Burgess Capital	20.3
WorldInvest	17.7
Brinson Partners	16.5
MSCI World	**14.9**
FTA World	**13.2**

Top half PIPER + international equity

3-month returns

	%
Murray Johnstone	14.1
FTA Europe & Pacific	**11.6**
Julius Baer Invst.	11.3
Wells Fargo Invst.	10.8
Parametric Portfolio	10.7
Bankers Trust Invst. (EAFE)	10.6
MSCI EAFE	**10.6**
Axe-Core (ADR replicator)	10.4
State Street Bank (Index)	10.3
County NatWest (Act./passive)	10.1
John Hancock (Index)	10.0
Prudential Diversified Invst.	10.0
Oeschle Int'l (Core plus)	9.4
IDS Int'l (Act./passive)	9.3
Oechsle Int'l (Core)	8.9
Provident Capital (Low p/e)	8.8
Ivory & Sime Int'l (5)	8.6
Martin Currie (B)	8.5
Baring Int'l (Act./passive)	8.4
Boston Int'l (Prime)	8.2
Pictet Int'l (Pos. value con.)	8.1
GIM Global	8.1
CIGNA Int'l	8.0
Brinson Partners	7.9
UBS Phillips & Drew (EAFE)	7.9
Boston Int'l (GDP wtd. EAFE)	7.5
Wright Investor's Service	7.3
Wellington Trust	7.1
Capital Guardian	7.1
Rowe Price-Fleming (Disc.)	6.9
Boston Int'l (SA free GDP index)	6.9
Capital Guardian	6.9
Pictet Int'l (Pos. value uncon.)	6.8
Rowe Price-Fleming (Trp.)	6.7
AIG Global (EAFE)	6.7
Baring Int'l (1 EAFE)	6.7
Harris Invst.	6.6
J.P. Morgan Invst. (Non-U.S.)	6.4
Ivory & Sime Int'l (3)	6.2
Kleinwort Benson (ERISA)	6.1
Union Capital	6.1
Fiduciary Trust	6.1
GE Invst.	6.1

1-year returns

	%
Marvin & Palmer (Emerg. mkts.)	2.1
Murray Johnstone	1.1
CIGNA Int'l	0.2
Lazard Freres Asset	-1.1
Wellington Trust (Emerg.)	-4.1
Pictet Int'l (Pos. value uncon.)	-4.2
Horn &	-4.3
Grantham Mayo v. Otterloo (Q)	-5.2
Putnam Cos.	-5.5
Credit Suisse Asset (EAFE)	-6.0
Henderson Admin. (EAFE)	-6.4
Ivory & Sime Int'l (3)	-6.4
Fidelity Invst.	-6.6
Wright Investor's Service	-6.9
Rowe Price-Fleming (Disc.)	-7.0
Brinson Partners	-8.2
IDS Int'l (Act./passive)	-8.3
UBS Phillips & Drew (EAFE)	-8.7
Ivory & Sime Int'l (5)	-8.7
Rowe Price-Fleming (Trp.)	-8.9
Provident Capital (Low p/e)	-9.3
G.T. Capital (EAFE)	-10.0
Grantham Mayo v. Otterloo (A)	-10.0
The Pr[illegible]	-10.0
Wellington Trust	-10.7
Fiduciary Trust	-10.9
Hill Samuel Invst. Advisers	-11.0
PCM Int'l (Print 2)	-11.1
Dillon, Read Int'l (EAFE)	-11.5
Scudder Stevens & Clark	-11.6
Citicorp Invst.	-12.0
Marvin & Palmer	-12.5
Batterymarch Financial	-12.6
Lombard Odier (EAFE)	-12.6
Rowe Price-Fleming (Discov.)	-12.9
Martin Currie (B)	-12.9
J.P. Morgan Invst. (Non-U.S.)	-13.2
AIG Global (EAFE)	-13.3
Capital Guardian	-13.4
GIM Global	-13.4
J.P. Morgan Invst.	-13.5
MSCI EAFE	**-23.2**
FTA Europe & Pacific	**-23.8**

5-year returns

	%
Pictet Int'l (Pos. value uncon.)	43.1
Ivory & Sime Int'l (3)	27.2
Boston Overseas (Castegren Int'l)	24.4
Lazard Freres Asset	24.4
CIGNA Int'l	22.9
Provident Capital (Low p/e)	22.7
Grantham Mayo v. Otterloo (Q)	21.5
WorldInvest (IPEF)	20.6
Brinson Partners	20.4
Rowe Price-Fleming (Disc.)	20.4
Henderson Admin. (EAFE)	20.1
Batterymarch Financial	20.0
Oeschle Int'l (Core plus)	20.0
Murray Johnstone	19.8
Globe Finlay (EAFE)	19.8
Bankers Trust Invst.	19.7
Baring Int'l (Act./passive)	19.4
Rowe Price-Fleming (Trp.)	19.3
G.T. Capital (EAFE)	19.3
Scudder Stevens & Clark	19.0
HD Int'l	19.0
Lombard Odier Int'l (EAFE)	19.0
Marvin & Palmer	18.9
Axe-Core (ADR replicator)	18.9
Fidelity Mgmt.	18.8
FTA Europe & Pacific	**18.6**
PCM Int'l (Print 2)	18.5
Prudential Diversified Invst.	18.4
MSCI EAFE	**18.4**
Wells Fargo Invst.	18.4

10-year returns

	%
Boston Overseas (Castegren Int'l)	24.2
Oeschle Int'l (Core plus)	20.1
Baring Int'l (Act./passive)	18.7
Capital Guardian	18.2
Putnam Cos.	18.2
Bankers Trust Invst.	17.9
Baring Int'l (1 EAFE)	17.8
G.T. Capital (EAFE)	17.6
Oeschle Int'l (Core)	17.3
MSCI EAFE	**17.0**
FTA Europe & Pacific	**16.7**

Top decile PIPER + balanced/TAA funds

3-month returns

	%
Chancellor (Stockshift 200)	15.2
Chancellor (Stockshift 150)	12.5
BRS Capital (TAA)	12.4
QuantiLogic Asset (TAA)	11.2
Miller Anderson & Sherrerd	10.9
Harris Bretall Sullivan Smith (Gro.)	10.7
Cheswick Invst.	10.5
Cooke & Bieler	10.3
Fred Alger Mgmt.	10.2
Value Line	10.0
Chase Invst.	9.8
Fayez Sarofim	9.8
Montag & Caldwell	9.4
Chancellor (Assetshift 65)	9.3
Dean Invst.	9.3
Capital Mgmt.	9.2
Turner Neill Invst. (Core)	9.2
Chancellor (Assetshift 50)	9.2
Harris Assoc.	9.1

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Quantitative Fixed Income Management

1-year returns

	%
Godsey & Gibb Assoc	19.8
J&W Seligman	11.9
Chancellor (Bondshift)	10.7
Cheswick Invst.	10.7
Oxford Capital	9.9
First Asset Mgmt.	9.5
Chase Invst.	9.4
Unity Mgmt.	9.3
Wells Fargo Invst. (3-way TAA)	8.9
Cooke & Bieler	8.8
Seaboard Invst.	8.4
Smith Affiliated	8.0
Lincoln Capital	8.0
Harris Bretall Sullivan Smith (Gro.)	7.8
Penteq (Stocks/cash)	7.8
Alpha Source Asset	7.4
Pension Mgmt.	7.0
Provident Invst.	6.7
Norwest Bank	6.6

5-year returns

	%
Oxford Capital	21.8

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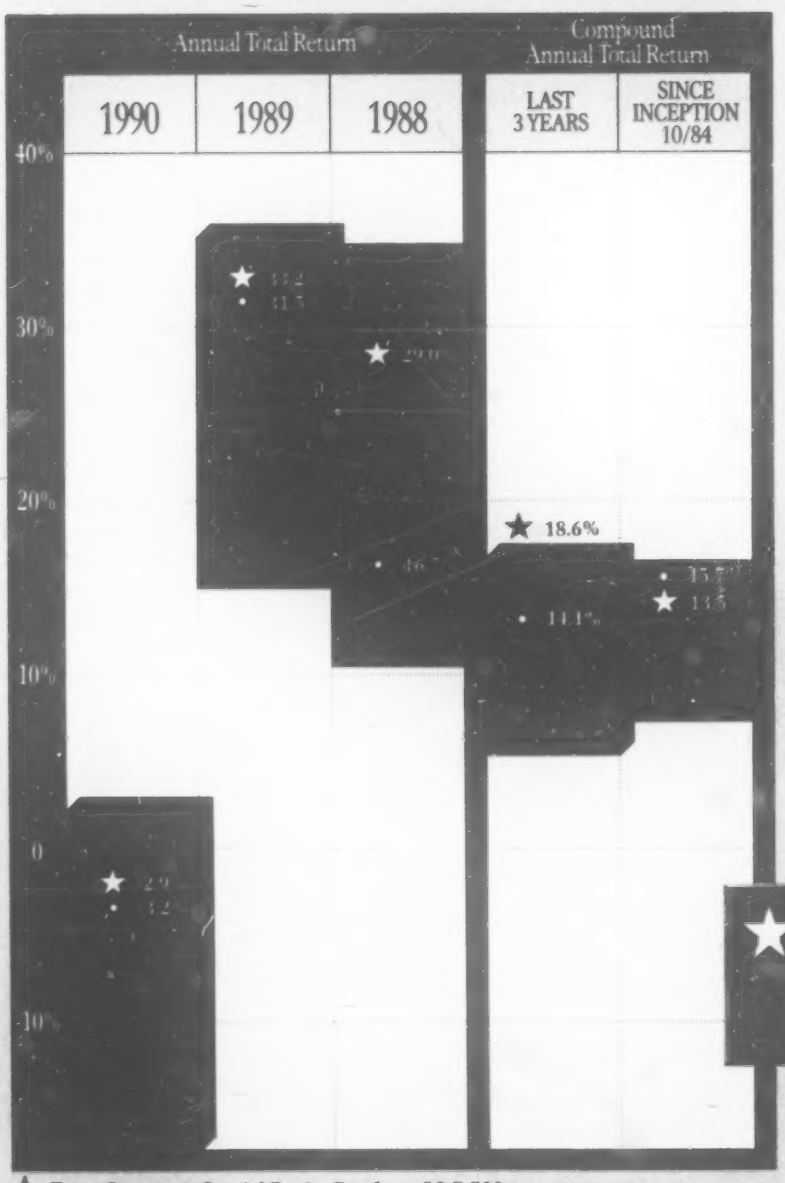

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Source: Callan Associates, Small Capitalization Equity Universe.

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1-year returns

Over $100 million

	%
Chancellor (Growth), N.Y.	7.7
Sentry Equity (S.A. B), Wis.	7.1
CoreStates (Growth), Pa.	6.5
Chicago Title & Trust	5.0
Aetna Life (S.A. 2), Conn.	4.5
The Phoenix (Growth S), Conn.	4.0
New York Life (S.A. 1)	3.7
Provident Mutual (S.A. 1), Pa.	3.7
Aliac (Variable/total), Conn.	3.6
Fifth Third Bank, Ohio	2.3

$50 million to $100 million

	%
Commerce Bank, Mo.	5.8
Bank of New York	5.3
Lincoln Nat'l (Select), Ind.	3.5
Sentry Equity (S.A. A), Wis.	3.2
First Tennessee Invst.	2.5
Chancellor (Indexplus), N.Y.	2.0
Colorado Nat'l Bank	1.8
First Wis. (Portico inc./gro.)	0.3
First Nat'l of Omaha (D), Neb.	0.2
Chancellor (Styleshift), N.Y.	−0.2

$10 million to $50 million

	%
Minnesota Mutual (S.A. C)	36.2
Princeton Bank, N.J.	10.8
Chancellor (Sel. growth), N.Y.	7.7
Sanwa Bank (D), Calif.	5.7
NBD Trust, Ill.	5.6
Summit Trust, N.J.	5.2
Liberty Nat'l, Okla.	4.5
Commercial Capital, Ark.	4.2
First Alabama Bank (I)	4.0
First Illinois (Personal)	3.7

Under $10 million

	%
Commercial Capital (Sp. gro.)	7.7
Fifth Third Bank-Toledo, Ohio	5.4
First Nat'l of Tulsa, Okla.	4.9
American Nat'l Bank, Ind.	4.7
Shearson Trust (EF7), Del.	4.6
Norwest Bank, Minn.	4.6
Assoc. Manitowoc, Wis.	3.9
Weststar Bank, Okla.	3.7
Minnesota Mutual (Growth)	2.7
First Nat'l of Kenosha, Wis.	1.7

10-year returns

Over $100 million

	%
Sun Bank, Fla.	22.6
Provident Mutual (S.A. 1), Pa.	18.1
Merus Capital (Inc.)	17.3
First Union Nat'l, N.C.	17.2
Manufacturer Affil. (Gro.), Ill.	16.5
Manufacturers Detroit (E)	16.5
Markston Invst., N.Y.	16.3
Aliac (Variable/total), Conn.	16.0
First of America, Mich.	15.8
Union Labor Life (S.A. A), D.C.	15.7

$50 million to $100 million

	%
U.S. Nat'l Bank, Texas	17.2
Merus Capital (Gro. plus)	16.6
First Nat'l of Omaha (D), Neb.	16.3
First Wis.(Portico inc./gro.)	16.2
Dominion Capital (Corp.), Va.	16.2
Manufacturers Life, Ontario	15.9
Colorado Nat'l	15.7
Connecticut Mutual	15.7
AmSouth, Ala.	15.5
Dauphin Deposit (Corp.), Pa.	15.2

$10 million to $50 million

	%
Pacific Financial (Cap. appr.)	20.3
First Nat'l Amarillo, Texas	17.2
First Fidelity (Sel. value), N.J.	17.1
First NH Invst. (A)	16.8
Minnesota Mutual (S.A. C)	16.1
Lake Shore Nat'l, Ill.	15.8
First Security Nat'l (D), Ky.	15.7
Pacific Financial (Div. low p/e)	15.7
Guardian Ins. (V.A. 1), N.Y.	15.5
First Alabama (I)	15.5

Under $10 million

	%
Assoc. Manitowoc, Wis.	16.0
Wheeling Dollar Bank, W. Va.	15.0
Second Nat'l Bank (Gro.), Ohio	14.6
State Street Bank (S&P 500)	14.0
Bank of Delaware (VIP)	13.8
Weststar Bank, Okla.	12.9
American Nat'l Bank, Ind.	12.6

Chancellor (Stockshift 200)	18.3
First Quadrant (Tactical returns)	17.8
QuantiLogic Asset (TAA)	17.5
Institutional Capital	16.6
Seaboard Invst.	16.6
Jurika & Voyles	16.1
Bankers Trust Invst. (Act. TAA)	15.6
Invst. Counselors	15.5
Turner Neill Invst. (Core)	15.5
Fox Asset Mgmt.	15.2
Fayez Sarofim	15.2
Provident Invst.	15.1
Godsey & Gibb	15.1
Dolan Capital	15.1
Dean Invst.	14.9
TSA Capital (TAA)	14.7
J&W Seligman	14.7

10-year returns

	%
First Quadrant (Tactical returns)	21.1
Rightime Econometrics (3-way)	19.5
Penteq (Stocks/cash)	19.4
BRS Capital (TAA)	18.7
Wells Fargo Invst. (3-way TAA)	18.4
First Bank Milwaukee	18.2
TSA Capital (TAA)	17.7
Chancellor (Assetshift 65)	17.7
Dolan Capital	17.6
Mellon Capital (3-way asset)	17.5
Dean Invst.	17.3
J.P. Morgan Invst. (TAA)	17.2

What does the future hold for GICs? *P&I* examines the guaranteed investment industry in the March 18 issue.

Specialty

Continued from page 19

gional malls, said Phillip Stephens, executive vice president with Equitable Real Estate.

Boston-based State Street Bank & Trust Co.'s $47 million AEW/State Street Real Estate I fund returned 13.9%, ranking fourth among closed-end funds. About 90 basis points of the portfolio's return came from cash, said Robert E. Kilroy, a vice president with State Street.

The Institutional Mortgage Fund II of Invesco Realty Advisors, Dallas, ranked fifth in the closed-end category with 13.3%.

The $29 million fund invests in participating mortgages. Gia Alessandra, assistant vice president at Invesco, said 8.1 percentage points of the fund's return was attributable to income.

Citicorp Real Estate Investment Management, New York, had the second-best performing open-end fund during the one-year period; it's Real Estate fund returned 10.7%.

Prudential Real Estate Investors, Newark, N.J., had open-end funds ranking third, fourth and fifth for the year.

Prudential's Union Mortgage Account, which has $138 million in fixed mortgages, was third with 9.1%.

All of the return came from income, said Kevin R. Smith, director and general manager with Prudential Realty.

Prudential's $800 million PRISA II returned 8.8% for the year, ranking fourth. Charles Lightner, a senior vice president with Prudential, said almost all of the return came from cash, but a 700,000-square-foot Jersey City, N.J., office building, Exchange Place, purchased at the end of 1989 also appreciated sharply.

The fifth-placed fund, the $3.25 billion PRISA I portfolio, returned 8.1%. PRISA I has completed its two-year restructuring and sold off its smaller properties, said Mr. Lightner. Cash accounted for about six percentage points of PRISA I's return.

The PIPER report is compiled by Rogers, Casey & Associates, Darien, Conn. ■

PIPER+ global funds

	Periods ended Dec. 31				
	Quarter	1 yr.	3 yr.	5 yr.	10 yr.
Highest return	9.90	-0.38	15.06	23.59	20.28
First quartile	7.22	-6.96	11.60	16.95	17.73
Median	5.74	-10.50	9.21	14.59	15.77
Third quartile	4.57	-13.72	7.41	12.33	14.40
Lowest return	-11.06	-34.19	-0.18	5.49	12.59
FTA World	10.54	-17.06	6.65	15.32	13.24
MSCI World	9.84	-16.52	6.64	15.12	14.93

PIPER+ international funds

	Periods ended Dec. 31				
	Quarter	1 yr.	3 yr.	5 yr.	10 yr.
Highest return	14.10	2.05	19.92	43.09	24.19
First quartile	8.04	-8.98	10.48	19.78	18.18
Median	6.10	-13.50	7.30	18.35	17.04
Third quartile	4.68	-17.12	4.88	16.43	14.56
Lowest return	-0.93	-29.47	1.46	8.32	9.81
FTA Europe Pacific	11.64	-23.84	2.92	18.55	16.69
MSCI EAFE	10.63	-23.20	3.05	18.36	16.99

PIPER+ balanced/TAA funds

	Periods ended Dec. 31				
	Quarter	1 yr.	3 yr.	5 yr.	10 yr.
Highest return	15.22	19.81	20.45	21.77	21.07
First quartile	7.76	4.73	12.76	12.98	15.22
Median	6.70	2.70	11.67	11.78	14.16
Third quartile	5.80	0.43	10.50	10.62	13.21
Lowest return	1.62	-12.58	3.36	5.08	10.48

Graphic by John J. Bohorquez

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New Issue *February 11, 1991*

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"TRAINs" (Total Return Adjustable Index Notes) "I-TRAINs" (Inverse Total Return Adjustable Index Notes)

Certificates	Original Principal Amount(1)	Certificate Coupon	Final Payment Date(2)
Series 1042-A (TRAINs)	$250,000,000	(3)	February 15, 2021
Series 1042-B (I-TRAINs)	$250,000,000	(3)	February 15, 2021

(1) Subject to increase as provided in the Offering Circular.
(2) Determined as described in the Offering Circular.
(3) Interest on the Series 1042-A and Series 1042-B Certificates will be determined quarterly as described in the Offering Circular on the basis of changes in the "return since inception" value of the Shearson Lehman Brothers Inc. Corporate Bond Index.

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Lehman Brothers

Former SEI exec joins adviser

NEW YORK — William R. Bullion, former executive vice president and general manager of pension consulting at SEI Corp., Wayne, Pa., has joined Schaenen Wood & Associates Inc., New York, as executive vice president and director of marketing. He is also a member of the investment policy committee.

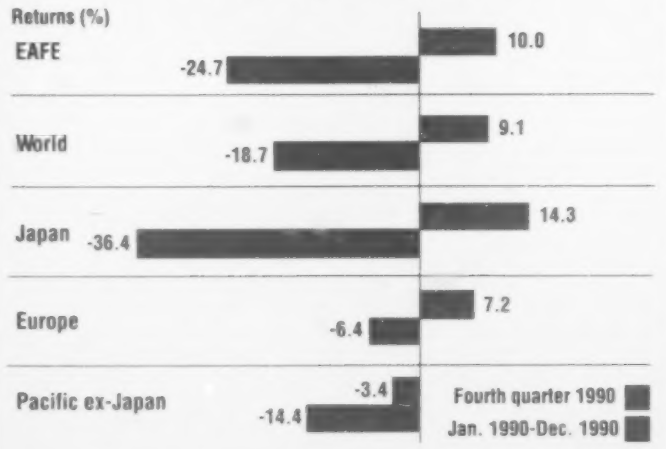
Michael Schaenen, chairman of the firm — which has almost $1 billion under management, two-thirds of it for tax-exempt clients — said Mr. Bullion "takes us to another plateau in the evolution of the firm."

Mr. Schaenen said the firm was not at the size needed to be accepted as a factor in the large plan market.

Mr. Bullion, he said, brings a knowledge of investment management consultants and large plan sponsors, and how to talk to both groups. He also would add a level of management depth for the firm to plan for its future growth.

Mr. Bullion, who spent 15 years at SEI and the firm it acquired — A.G. Becker Funds Evaluation — said Schaenen Wood had an excellent long-term track record as a conservative value-oriented investment management firm but had never made a significant effort to market itself to sponsors of large plans. ■

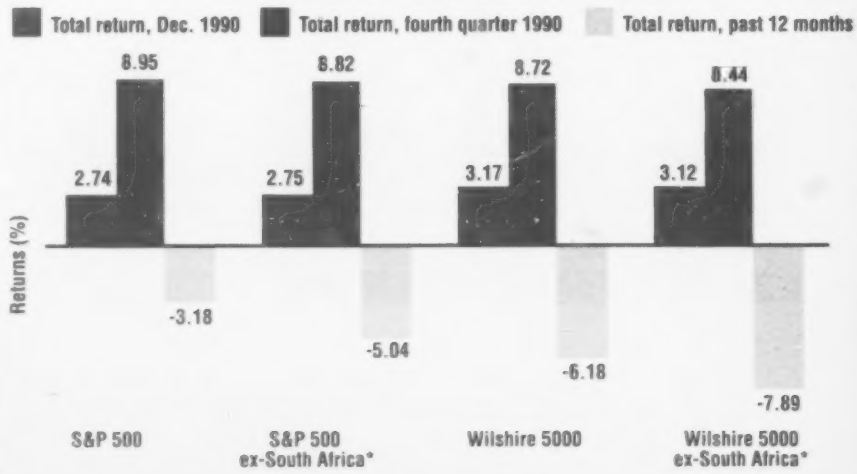
Morgan Stanley Capital International worldwide indexes



Source: Morgan Stanley Capital International, New York
Indexes are in U.S. dollar terms without dividends re-invested

Graphic by Holly Seguine

The South Africa Free Index



*Excludes stock of companies with an equity stake in a South Africa business, no replacements.

Source: Wilshire Associates, Santa Monica, Calif.

Graphic by Holly Seguine

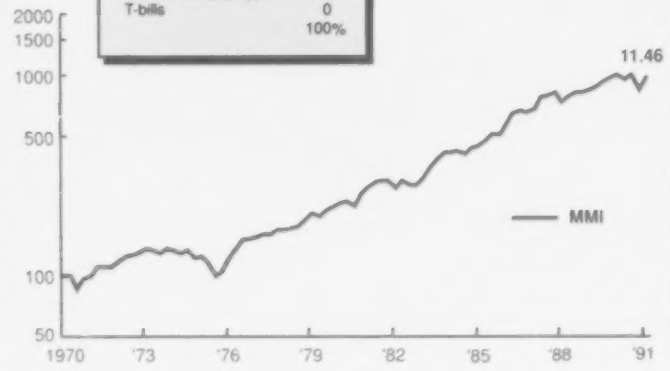
Multiple Markets Index

The Multiple Markets Index is a benchmark for total portfolio returns. It is composed of eight asset classes used by retirement plan executives; it is calibrated to reflect the same degree of risk of the typical pension portfolio; it uses passive fixed policy weights; and it represents the individual asset classes by the broadest and most complete market return data available.

Weights

Large-cap stocks	28%
Small-cap stocks	12
International stocks	15
Venture capital	5
Domestic bonds	18
International $ bonds	2
Non-dollar bonds	5
Real estate (equity)	15
T-bills	0
	100%

Five-year annualized return 11.68%
One-year return -2.60%
Latest quarter 6.92%



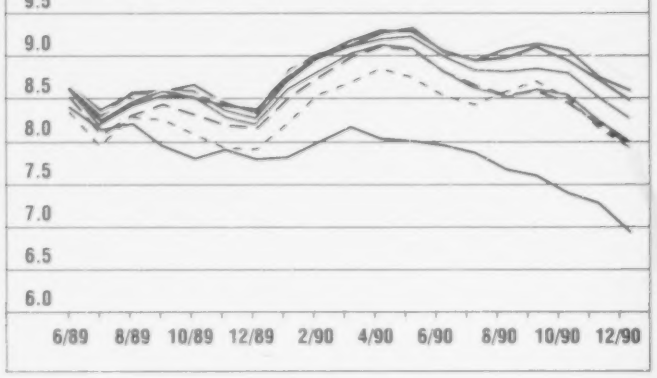
12/31/69 = 100
Data through 12/31/90

Source: Brinson Partners Inc., Chicago

Graphic by Holly Seguine

Summary of average GIC & BIC data vs. Treasury yields

(Bullet, compound $1 million contract)



3-year GIC
5-year GIC
7-year GIC
91-day T-bill
6-year Treasury
3-year BIC
5-year BIC
7-year BIC

Source: William M. Mercer Asset Planning Inc

Graphic by Holly Seguine

Fourth quarter 1990 returns

	Russell 3000®	Russell 1000®	Russell 1000® by market capitalization: Large	Medium/large	Medium	Medium/small	Russell 2000®
Technology	10.04%	9.94%	5.22%	23.33%	9.03%	15.25%	11.54%
Health care	15.19	14.80	14.13	10.44	18.51	26.78	21.46
Consumer discretionary	12.52	13.41	8.64	14.81	16.85	10.46	1.95
Consumer staples	14.56	14.64	15.93	14.35	8.71	11.19	8.98
Integrated oils	-1.46	-1.48	-0.59	-7.48	-13.91	3.29	7.64
Other energy	-8.91	-8.31	0.00	-6.77	-9.23	-12.62	-15.15
Materials and processing	9.93	10.87	14.94	10.40	11.38	6.74	0.98
Producer durables	8.18	8.31	6.64	7.88	10.58	12.30	6.75
Auto and transportation	4.19	4.21	-6.51	12.97	11.13	5.75	3.57
Financial services	12.90	13.55	12.05	17.63	11.63	9.41	1.84
Utilities	9.07	9.16	4.88	13.55	14.03	9.62	5.14
Total	**9.31**	**9.54**	**7.67**	**10.92**	**11.68**	**10.16**	**5.03**

Source: Frank Russell Co., Tacoma, Washington

Proxies

Continued from page 1

by members of the Council of Institutional Investors as well as the New York State and Local Retirement Systems, Albany.

The proposals are an attempt to take the most direct route possible toward assuring long-term corporate performance and accountability, shareholders and investor groups said.

"Rather than concentrate on independent features of corporate governance such as poison pills, golden parachutes, staggered boards and confidential voting, what (institutional shareholders) really are after is independent, responsive, accountable boards of directors, and they feel this is the way to achieve it," said Peg O'Hara, director of the corporate governance service at the Investor Responsibility Research Center, Washington.

Half of the proposals are the result of a united effort by members of the Council of Institutional Investors, Washington, that focused on promoting independence in the boardroom and on the committees that nominate directors.

"It is the core function of the core mechanism that shareholders have for overseeing their property," said Sarah A.B. Teslik, executive director of the council, which developed its own working definition of director independence that its members have used in their proposals.

Council members that filed resolutions include the Florida State Board of Administration, Tallahassee, which has a proposal at Dow Chemical; the United Brotherhood of Carpenters and Joiners of America, which is assisting two regional pension funds sponsor resolutions at Waste Management and Dillard; and the AFL-CIO, which is assisting two union members employed by the Tribune who have sent off proposals.

The New York State & Local fund, while not a member of the council, has proposals using a similar definition of director independence pending at Charming Shoppes, Intergraph, National Semiconductor and Occidental.

The fund recently withdrew a resolution it had at Witco Corp., New York, after the company satisfied the fund that its board was independent.

Corporate governance "is not just a phenomenon that's just a passing concern pursued by flaky shareholders," Ms. Teslik said. "It really is becoming focused on a smaller and smaller number of issues by a larger and larger group of shareholders."

Under the council's definition, an independent director is someone who: "has not been employed by the corporation or an affiliate in an executive capacity within the last five years; is not an employee or owner of a firm that is one of the corporation's paid advisers or consultants; is not employed by a significant customer or supplier; has no personal services contract with the corporation; is not employed by a foundation or university that receives significant grants or endowments from the corporation; (and) is not a relative of the management of the corporation."

Just last month, General Motors Corp. amended its corporate bylaws formalizing its policy on director independence in response to a proposal put forth by the California Public Employees' Retirement System, Sacramento. The pension fund used the council's definition of independence.

While some say GM's action might have given momentum to the movement for independent boards, many view the gesture as largely symbolic and say the real battle has only just begun.

"A lot of corporations will see it as a significant but largely symbolic victory," said Howard D. Sherman, vice president of Institutional Shareholder Services Inc., Washington. "The real energy will come when a proposal like this one is submitted for a vote. We have to see what kind of support it wins from shareholders."

Of the four companies now waiting to hear from the SEC as to whether they may omit the shareholder proposals from their proxy statements, Waste Management is likely to hear first, based on the SEC's 45-day turnaround schedule. The SEC received Waste Management's request Jan. 2.

The proposal filed by the carpenters union fund was prompted by concern over problems Waste Management has had, and a belief that future problems could be avoided if the company had a more independent board, said Ed Durkin, director of special programs at the United Brotherhood of Carpenters and Joiners of America, Washington.

The union's funds hold 1,068,756 shares of the company, Mr. Durkin said. There were 487,104,888 shares outstanding as of Oct. 31, he said.

Mr. Durkin pointed to a lawsuit against the company charging price-fixing for container refuse service as an example of "one of the problems Waste Management has had lately that might be helped if there was an independent board overseeing management."

In November, the company agreed to pay $19.5 million to settle the lawsuit but made no admission of any wrongdoing.

"The composition of the board, if you look at the individuals, is dramatically non-independent," he said. "We think it's critically important that the majority of any corporate board has no personal or financial ties to the company."

Eight of Waste Management's 11 company directors would be considered non-independent as they are employed as company executives or have a business relationship with the company, Mr. Durkin said.

"If you have a board that's independent of management, I think the shareholders have a better probability of getting the kinds of decision-making that will assure the long-term viability of the company," Mr. Durkin said.

But officials at Waste Management disagree. They have written two letters to the SEC arguing, among other things, the proposal would conflict with provisions of both Delaware corporate law — under which the company is incorporated.

"At the end of the day, I don't think that an inflexible definition of independence and an inflexible rule . . . is appropriate," said Herbert A. Getz, vice president, secretary and assistant general counsel at Waste Management.

"People should be voting for the boards of directors based on results."

Under the definition as outlined in the resolution, "Essentially anybody who transacts any business with the company . . . regardless of the materiality of that relationship, is not independent," Mr. Getz said. "Our position is that we have an independent board in the classical sense."

Last November's settlement, Mr. Getz said, "really was a decision to limit the company's exposure to the risk of a jury trial."

The proposal at Dow Chemical is similarly targeted at the board's insider makeup, said Luther Jones, manager of corporate affairs at the Florida State Board, which is sponsoring the proposal. The fund owned 441,227 shares of Dow Chemical as of Nov. 9. Dow had 269,990,435 shares outstanding at year end.

"Even though they may not have been appointed to the board by the chief executive officer, they may have had very close ties to the CEO," Mr. Jones said.

Officials at Dow Chemical, who were not available for comment, wrote to the SEC Jan. 7 that the proposal would conflict with Delaware law and the company's certificate of incorporation.

While one proposal at the Tribune addresses the issue of having an independent majority on the board, a separate proposal advocates the company's director nominating committee be composed of independent directors.

"The typical thing is that the nominating committee will be chaired by an insider, in which case, they can help control who the directors will be," said Michael Calabrese, an attorney representing the AFL-CIO on the Council of Institutional Investors, which is assisting the sponsors of both proposals.

The Tribune has challenged only the proposal to have a majority of independent directors on the board, Mr. Calabrese said. ■

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Scramble

Continued from page 2

ship and record-keeping business for Chicago-based Amoco Corp.'s $2.5 billion defined contribution plans, offering what John Rynne, Amoco's director of qualified benefits plans, said was greater flexibility than the mutual fund companies.

"We designed the plan, and didn't have to design the plan to meet their record-keeping abilities," he said. "We didn't find (the mutual fund companies) were that flexible. Some told us we must offer their funds."

Third-party providers, like SEI Corp., Wayne, Pa., also are in the hunt, and often provide systems used by consultants and brokers. This past summer, SEI teamed up with Charles Schwab & Co. Inc., to provide record-keeping and other defined contribution services, including investment choices from Schwab's brokered mutual funds, to the estimated $150 billion middle market.

The ability of banks like State Street and traditional powerhouse Bankers Trust Co. to continue to deliver quality defined contribution record keeping is good news for the banking industry, which has been stung by the high cost of system development and inability to keep qualified employees. Many banks, including Chicago giants Continental Bank and Northern Trust Co., have abandoned the field.

"We were faced with having to continually invest in the business to keep it state-of-the-art," said Northern Trust spokesman Thomas Kiman. "We just didn't have the book of business to make it worthwhile."

But by concentrating on personnel development, Boatmen's Trust Co., St. Louis, has been able to maintain an active service to its 100 record-keeping clients.

"It has become a very complex, dynamic process that requires more than unsophisticated clerks to process. We've kept up in terms of systems and the technical expertise of staff," said Lyle Brizendine, Boatmen's senior vice president in pension administration,

Another strength banks offer is as custodians of assets and in broader record-keeping and evaluation services. Banks can give a picture of the entire plan's status, not just concentrate on individual participants, he said.

In choosing State Street for record-keeping and trustee services, Mr. Rynne said Amoco wanted to "get as close as possible" to having all of its defined contribution services in one place.

One-stop shopping has been a keen selling point for the mutual fund companies; by pricing record-keeping services as a loss-leader or a break-even business, the firms could get a foot in the door to provide the investment vehicles.

And mutual fund record-keeping providers are not necessarily limited to their own products; Bob Reynolds, president of Fidelity Institutional Retirement Service Co., said about 5% of the firm's more than 400 clients use investment vehicles other than the Fidelity mutual funds.

Charles Salisbury, managing director of T. Rowe Price Associates Inc., said his firm offers selected options other than its own mutual funds for its $2 billion in defined contribution assets.

"It's gone beyond one-stop shopping," he said. "This isn't just another line of business for us. It's a major growth area."

But insurance companies and benefit consulting firms are not about to concede growth to the mutual fund companies. "We see more companies that are running a defined contribution business as a business unto itself," said Steve Benson, vice president and director of sales for Prudential Asset Management Co., Moosic, Pa.

Consultants say their ability to serve as a multipurpose adviser and to customize systems to meet individual record-keeping needs puts them in an enviable position.

"We tailor our services and that minimizes the differences between us and one-stop shopping," said Lou Valentino, manager of defined contribution practice for the New York region of The Wyatt Co.

"We view record keeping as a for-profit business," said Jane Palmer, principal at TPF&C, Chicago, which has 125 record-keeping clients. "Everything we offer is custom-programmed to calculate matching contributions, provide discrimination testing and other services."

Stan Lewkowicz, national manager of defined contribution administration in Chicago for A. Foster Higgins & Co. Inc., says the touted mutual fund company's ability to provide daily valuations to plan participants may be less than it's cracked up to be.

"Daily valuation is not just an accounting process," he said. "If we are just talking about daily transfers for plan participants, in many cases it can hurt you. A number of studies have shown small investors historically tend to buy and sell at the wrong time. Seventy percent to 80% of all participants make a choice and stick to it for a long time."

He said the advantages of daily valuation also should bring advantages to plan sponsors, like in loans, payroll deductions, discrimination testing and other key administrative issues.

"Record keeping is the only means the plan sponsors have of ensuring all their plan assets are properly accounted for," he said. "What we are talking about is a lot of money."

And money, after all, is the key, said Fidelity's Mr. Reynolds. He said the advantages of timely information and services can help the plan participants overcome the historic conservatism associated with participant's predominant choice of insurance and bank contracts.

"The needs of the future involve more information to the plan participants," he said. "If you provide to the participant the ability to switch on a timely basis, they will have a more aggressive, healthy asset mix." ■

Financing and investing in emerging markets will be spotlighted March 4.